**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, 2013

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, INC.

(Exact name of registrant as specified in its charter)

| **Nevada** | **87-0450450** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **1111 Main St Ste 201 Conway, AR** | **72032** |
| (Address of principal executive offices) | (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** | **Shares Outstanding at May 3, 2013** |
|---|---|
| Common Stock | 23,289,218 |

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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:

- history of losses;
- material dependence on net revenues from two customers;
- pending relocation of our headquarters and data operations collocations;
- failure to successfully manage the combination of Inuvo and Vertro;
- ability to continue and expand relationships with Internet media, content, advertising and product providers;
- dependence of our Network segment on relationships with distribution partners;
- dependence of our Applications segment on our ability to maintain and grow our customer base and the estimations and assumptions we use in that segment;
- material dependence on our relationships with Google and Yahoo!;
- company owned and operated websites and various risks associated with those websites;
- dependence on our banking arrangements with Bridge Bank, N.A. which are collateralized by our assets;
- possible need to raise additional capital;
- ability to effectively compete;
- need to keep pace with technology changes;
- possible interruptions of services;
- dependence on third-party providers;
- liability associated with retrieved or transmitted information, failure to adequately protect personal information; security breaches and computer viruses, and other risks experienced by companies in our industry;
- dependence on key personnel;
- regulatory uncertainties;
- failure to protect our intellectual property
- continued listing on the NYSE MKT;
- fluctuations in our quarterly earnings and the trading price of our common stock;
- ability to defend our company against lawsuits; and
- outstanding warrants and options and possible dilutive impact to our stockholders.

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 herein and in our Annual Report on Form 10-K for the year ended December 31, 2012, as filed 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 refers to Inuvo, Inc., a Nevada corporation and its subsidiaries. When used in this report, “2012” means the fiscal year ended December 31, 2012 and "2013" means the fiscal year ending December 31, 2013. The information which appears on our corporate web site at www.inuvo.com is not part of this report.

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS.**

**INUVO, INC.**
**CONSOLIDATED BALANCE SHEETS**
**March 31, 2013 (Unaudited) and December 31, 2012**

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash | $ 3,225,778 | $ 3,381,018 |
| Restricted cash | — | 301,158 |
| Accounts receivable, net of allowance for doubtful accounts of $214,978 and $231,542, respectively | 5,346,554 | 5,400,290 |
| Unbilled revenue | 36,179 | 58,219 |
| Intangible assets - current, net of accumulated amortization | — | 328,665 |
| Prepaid expenses and other current assets | 503,499 | 467,957 |
| Total current assets | 9,112,010 | 9,937,307 |
| Property and equipment, net | 1,956,719 | 2,110,771 |
| Other assets | | |
| Goodwill | 5,760,808 | 5,760,808 |
| Intangible assets, net of accumulated amortization | 10,919,829 | 11,138,330 |
| Other assets | 444,530 | 182,387 |
| Total other assets | 17,125,167 | 17,081,525 |
| Total assets | $ 28,193,896 | $ 29,129,603 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities | | |
| Term and credit notes payable - current portion | $ 1,333,333 | $ 1,333,333 |
| Accounts payable | 8,711,403 | 10,196,930 |
| Accrued expenses and other current liabilities | 3,111,375 | 1,872,722 |
| Total current liabilities | 13,156,111 | 13,402,985 |
| Long-term liabilities | | |
| Deferred tax liability | 4,016,000 | 4,099,000 |
| Term and credit notes payable - long term | 5,555,555 | 6,488,889 |
| Other long-term liabilities | 1,377,377 | 932,377 |
| Total long-term liabilities | 10,948,932 | 11,520,266 |
| Stockholders' equity | | |
| Preferred stock, $.001 par value; 500,000 authorized shares, none issued and outstanding | — | — |
| Common stock, $.001 par value; 40,000,000 authorized shares, issued shares of 23,665,745 and 23,586,186, respectively | | |
| Outstanding shares - 23,289,218 and 23,209,659, respectively | 23,666 | 23,586 |
| Additional paid-in capital | 127,422,917 | 127,249,789 |
| Accumulated deficit | (121,961,592) | (121,670,882) |
| Accumulated other comprehensive income | 421 | 418 |
| Treasury stock, at cost - 376,527 shares | (1,396,559) | (1,396,559) |
| Total stockholders' equity | 4,088,853 | 4,206,352 |
| Total liabilities and stockholders' equity | $ 28,193,896 | $ 29,129,603 |

See accompanying notes to the consolidated financial statements.

**INUVO, INC.**
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**
**Three Months Ended March 31,**
**(Unaudited)**

| | 2013 | 2012 |
|---|---|---|
| Net revenue | $ 15,919,779 | $ 8,767,149 |
| Cost of revenue | | |
| Affiliate expenses | 6,847,494 | 4,505,699 |
| Data acquisition | 427,651 | 767,580 |
| Merchant processing fees and product costs | 205,723 | 74,472 |
| Cost of revenue | 7,480,868 | 5,347,751 |
| Gross profit | 8,438,911 | 3,419,398 |
| Operating expenses | | |
| Search costs | 4,692,889 | 1,843,057 |
| Compensation | 1,993,325 | 1,296,565 |
| Selling, general and administrative | 2,144,831 | 1,985,463 |
| Total operating expenses | 8,831,045 | 5,125,085 |
| Operating loss | (392,134) | (1,705,687) |
| Other expense | | |
| Interest expense, net | (106,669) | (166,701) |
| Other expense, net | (106,669) | (166,701) |
| Loss from continuing operations before taxes | (498,803) | (1,872,388) |
| Income tax benefit | 83,000 | — |
| Net loss from continuing operations | (415,803) | (1,872,388) |
| Net income (loss) from discontinued operations | 125,093 | (1,709) |
| Net loss | (290,710) | (1,874,097) |
| Other comprehensive income | | |
| Foreign currency revaluation | 3 | 5,156 |
| Total comprehensive loss | $ (290,707) | $ (1,868,941) |
| Per common share data | | |
| Basic and diluted | | |
| Net loss per share from continuing operations | $ (0.02) | $ (0.13) |
| Net income per share from discontinued operations | 0.01 | — |
| Net loss per share | $ (0.01) | $ (0.13) |
| Weighted average shares (basic and diluted) | 23,252,095 | 14,431,201 |

See accompanying notes to the consolidated financial statements.

**INUVO, INC.**
**CONSOLIDATED STATEMENTS OF CASH FLOWS**
**Three Months Ended March 31,**
**(Unaudited)**

| | 2013 | 2012 |
|---|---|---|
| Operating activities: | | |
| **Net loss** | $ (290,710) | $ (1,874,097) |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,252,633 | 1,286,052 |
| Grant funds received for relocation costs | 1,137,913 | — |
| Stock based compensation | 189,993 | 195,419 |
| Deferred income taxes | (83,000) | — |
| Corporate headquarters relocation costs | (1,182,388) | — |
| Other, net | 17,418 | — |
| Change in operating assets and liabilities, net of acquisition: | | |
| Accrued expenses and other liabilities | 1,031,206 | (1,309,974) |
| Prepaid expenses and other assets | 55,881 | 215,619 |
| Accounts receivable and unbilled revenue | 75,776 | 2,220,953 |
| Accounts payable | (1,529,891) | 141,161 |
| Other, net | (21,438) | (176) |
| Net cash provided by operating activities from continuing operations | 653,393 | 874,957 |
| Net cash used in operating activities of discontinued operations | — | (60,000) |
| Net cash provided by operating activities | 653,393 | 814,957 |
| Investing activities: | | |
| Purchases of equipment and capitalized development costs | (517,127) | (131,815) |
| Grant funds received for equipment and office construction | 319,909 | — |
| Acquisition of Vertro, Inc., net of stock issuance costs | — | 2,439,360 |
| Purchase of names database and bundled downloads | — | (707,400) |
| Net cash (used in) provided by in investing activities | (197,218) | 1,600,145 |
| Financing activities: | | |
| Payments on revolving line of credit | (2,000,000) | (3,459,246) |
| Payments on term note payable and capital leases | (348,916) | — |
| Proceeds from term note | — | 5,000,000 |
| Prepaid financing fees and other | 36,340 | — |
| Deposit to collateralize letter of credit | 301,158 | (475,000) |
| Proceeds from revolving line of credit | 1,400,000 | — |
| Net cash (used in) provided by financing activities | (611,418) | 1,065,754 |
| Effect of exchange rate changes | 3 | 5,156 |
| Net change – cash | (155,240) | 3,486,012 |
| **Cash, beginning of period** | 3,381,018 | 4,413 |
| **Cash, end of period** | $ 3,225,778 | $ 3,490,425 |
| Supplemental information: | | |
| Interest paid | $ 88,157 | $ 66,386 |

See accompanying notes to the consolidated financial statements.

## Note 1 – Organization and Business Overview

*Business Overview*

Inuvo®, Inc. and subsidiaries ("we", "us" or "our") is an Internet marketing and technology company that develops consumer applications and delivers targeted advertisements onto websites reaching desktop and mobile.

At its core, our business is built on the delivery of Internet advertisements to consumers. Most of our revenue is generated when a consumer clicks on an advertisement we have delivered, although we also generate revenue through sales commissions and sponsored advertisements. We manage our business as two segments, Network and Applications.

The Network segment facilitates transactions between advertisers and website publishers, including both third party websites and our owned and operated websites. In this segment, we design, build, implement, manage and sell technology platforms and services. The majority of revenue generated by this segment is derived from clicks on advertisements, but we also generate revenue through sales commissions. Our technology and services offer transparency and alignment between advertisers and publishers through a sophisticated technology to target offers and predict fraud effectively, which we believe is a point of differentiation among service providers in our marketplace.

The Applications segment designs, builds and markets consumer applications, including our ALOT product portfolio and BargainMatch CashBack application. The majority of revenue generated by this segment is derived from clicks on advertisements and sponsored advertisements within applications.

*Relocation of corporate headquarters*

After completing the merger with Vertro, Inc. ("Vertro"), our leadership team began to explore opportunities for consolidation of our offices in New York City and Clearwater, FL. In the fourth quarter of 2012, the state of Arkansas offered us a grant to relocate our offices and operations to their state.

On January 25, 2013, we reached an agreement with the state of Arkansas and received a grant of up to $1.75 million for costs related to the relocation and the purchase of equipment necessary to begin operations in Arkansas. The grant is contingent upon us having at least fifty full-time equivalent permanent positions within four years, maintaining at least fifty full-time equivalent permanent positions for the following six years and paying those positions an average total compensation of $90,000 per year. If we fail to meet the requirements of the grant after the initial four year period, we may be required to repay a portion of the grant, up to but not to exceed the full amount of the grant. Based on our hiring and financial forecasts, we believe the probability of being required to repay the grant is remote.

During the first quarter of 2013, we terminated our Clearwater, FL lease. In addition, on April 12, 2013, we entered into an agreement to sublease our New York, NY office. These activities will significantly reduce future cash outlays for rent. See Note 11 - Leases for further discussion.

*Liquidity*

During 2012, our liquidity was unfavorably affected by significant investments in search costs to increase downloads of our ALOT product. We are taking steps to reduce operating costs. Cost synergies from the merger with Vertro on March 1, 2012 are currently yielding approximately $2 million in annual cost savings. We project the move to Arkansas will save us approximately $2.5 million in annual rent, payroll and other operating costs. To conserve cash, we may from time to time delay payments to our website publishers and other vendors, which may affect their decisions to do business with us.

We also have access to a revolving line of credit with Bridge Bank, N.A. ("Bridge Bank"), which allows for up to $10 million in borrowings and had approximately $0.5 million in availability as of May 3, 2013.

We believe that the revolving line of credit and operating cost savings from the merger with Vertro and relocation to Arkansas will provide us with sufficient cash for operations over the next 12 months.

*Customer concentration*

We generate the majority of our revenue from two customers, Yahoo! and Google. At March 31, 2013 and 2012 these two customers accounted for 82.2 percent and 82.7 percent of our gross accounts receivable balance, respectively. For the three months ended March 31, 2013 and 2012 they accounted for 91.3 percent and 88.4 percent of net revenue, respectively.

On February 1, 2013 we agreed to a new two year services agreement with Google. Our current contract with Yahoo! extends through April 2014.

*Merger with Vertro*

On March 1, 2012 we merged with Vertro, an Internet company that owns and operates the ALOT product portfolio, comprised of both browser-based consumer applications and websites. Among other things, the merger with Vertro:

- enhanced our ability to attract advertisers, publishers and consumers;
- diversified our revenue streams, mitigating our dependence on a single customer;
- allowed us to leverage existing ALOT install and distribution capability, providing a vehicle for our consumer facing innovations like BargainMatch;
- provided a greater footprint to access the debt and capital markets;
- combined the experience of two digital marketing teams, broadening our capabilities and reducing time to market; and
- eliminated overlapping operating and public company expenses, reducing combined costs by over $2 million per year.

*NYSE MKT*

Our common stock is listed on the NYSE MKT, LLC (the "Exchange"). In November 2012, we were notified by the Exchange that we were not in compliance with certain aspects of their listing requirements; specifically, due to losses from continuing operations and/or net losses in our five most recent fiscal years, the Exchange's minimum requirement for continued listing is stockholders' equity of not less than $6,000,000. We were afforded the opportunity to submit a plan of compliance to the Exchange by December 31, 2012 to demonstrate our ability to regain compliance with their listing standards. We submitted our plan and were notified on February 15, 2013 that it was accepted. We are able to continue our listing during the plan period, which ends December 2, 2013, though subject to periodic review to determine whether it is making progress consistent with the plan. As of March 31, 2013 our stockholders' equity was $4,088,853.

**Note 2 – Basis of Presentation and 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 Securities and Exchange Commission ("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, 2012, 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 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, 2012, which was filed with the SEC on March 13, 2013.

*Use of estimates*

The preparation of financial statements, in accordance with accounting principles generally accepted in the United States ("U.S. 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, stock compensation and the value of stock-based compensation. In addition, we used significant assumptions in our valuation of the assets and liabilities acquired

with the acquisition of Vertro. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements, and such differences could be material.

*Accounting for headquarters relocation grant*

During the first quarter of 2013, we received a grant from the state of Arkansas to relocate our corporate headquarters to Conway, AR. We recognize the grant funds into income as a reduction of the related expense in the period in which those expenses are recognized. We defer grant funds related to capitalized costs and classify them as current or long-term liabilities on the balance sheet according to the classification of the associated asset. Grant funds received are presented on the consolidated statements of cash flows as operating or investing cash flows depending on the classification of the underlying spend.

*Recent accounting pronouncements*

*Accounting Standards Update ("ASU") 2012-02:* In July 2012, the Financial Accounting Standards Board issued ASU 2012-02, *Testing Indefinite-Lived Intangible Assets for Impairment*. This guidance aligns the impairment testing guidance for indefinite-lived intangible assets with the impairment testing guidance for goodwill. The amendments permit an entity first to assess qualitative factors to determine whether it is more likely than not that an indefinite-lived intangible asset is impaired as a basis for determining whether it is necessary to perform the quantitative impairment test. The amendments are effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. Early adoption is permitted. The effect of adopting this statement is not expected to have an impact on our financial position or results of operations.

Other recent accounting pronouncements issued by standard setters did not or are not believed to have a material impact on our present or future consolidated financial statements.

*Change in accounting estimate*

During the first quarter of 2013, as a result of changes in our Baby to Bee business, we completed an assessment of the useful life of our names database intangible asset, which were being amortized over a useful life of 9 months. As a result, we determined that our names database purchases no longer have a useful life. We recognized a charge of $322,771 against the data acquisition line in cost of revenue during the first quarter of 2013 to expense the remaining balance of the asset, and we began to expense fully our names purchases during the month in which they are acquired.

*Reclassifications*

Certain reclassifications have been made to historical periods to conform to current classification. These reclassifications had no effect on total stockholders' equity or net loss.

**Note 3 – Property and Equipment**

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

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Furniture and fixtures | $ 67,341 | $ 421,425 |
| Equipment | 2,690,405 | 2,473,813 |
| Software | 7,551,077 | 8,018,509 |
| Leasehold improvements | 94,055 | 348,159 |
| Subtotal | $ 10,402,878 | $ 11,261,906 |
| Less: accumulated depreciation and amortization | (8,446,159) | (9,151,135) |
| Total | $ 1,956,719 | $ 2,110,771 |

During the three months ended March 31, 2013 and 2012 depreciation expense was $705,467 and $329,849, respectively.

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

The following is a schedule of our intangible assets from continuing operations as of March 31, 2013:

| | Term | Carrying Value | Accumulated Amortization and Impairment | Net Carrying Value | 2013 Amortization Expense |
|---|---|---|---|---|---|
| Names database (1) | 9 months | $ 17,417,397 | $ (17,417,397) | $ — | $ 322,771 |
| Bundled downloads (1) | 4.5 months | 2,447,075 | (2,447,075) | — | 5,894 |
| Intangible assets classified as current | | $ 19,864,472 | $ (19,864,472) | $ — | $ 328,665 |
| Customer list, Google | 20 years | 8,820,000 | (477,750) | 8,342,250 | 110,250 |
| Customer list, all other | 10 years | 1,610,000 | (174,421) | 1,435,579 | 40,251 |
| Exclusivity agreement | 1 year | 120,000 | (120,000) | — | 20,000 |
| Trade names, ALOT (2) | 5 years | 960,000 | (208,000) | 752,000 | 48,000 |
| Trade names, web properties (2) | Indefinite | 390,000 | — | 390,000 | — |
| Intangible assets classified as long-term | | $ 11,900,000 | $ (980,171) | $ 10,919,829 | $ 218,501 |
| Goodwill | | $ 5,760,808 | $ — | $ 5,760,808 | n/a |

(1) The amortization of our names database and bundled downloads assets are included in cost of revenue. Effective during the first quarter of 2013, we determined our names database purchases no longer have a useful life. As a result, we recognized a charge of $322,771 in the first quarter of 2013 to expense the remaining balance.

(2) Our ALOT trade names acquired through the merger with Vertro were determined to have a useful life of five years. Our Inuvo trade name intangible is indefinite-lived and is not amortized.

Our amortization expense over the next five years and thereafter as of March 31, 2013 is as follows:

| | |
|---|---|
| 2013 | $ 595,503 |
| 2014 | 794,004 |
| 2015 | 794,004 |
| 2016 | 794,004 |
| 2017 | 634,004 |
| Thereafter | 6,918,310 |
| Total | $ 10,529,829 |

**Note 5 - Term and Credit Notes Payable**

The following table summarizes our notes payable balances as of March 31, 2013 and December 31, 2012:

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Term note payable - 4.25 percent at March 31, 2013 (prime plus 1.0 percent), due February 10, 2016 | $ 3,888,888 | $ 4,222,222 |
| Revolving credit line - 3.75 percent at March 31, 2013 (prime plus 0.5 percent), due March 29, 2015 | 3,000,000 | 3,600,000 |
| Total | $ 6,888,888 | $ 7,822,222 |
| Less: current portion | (1,333,333) | (1,333,333) |
| Long-term portion | $ 5,555,555 | $ 6,488,889 |

*Principal Payments:*

Principal payments under the term note payable are due as follows as of March 31, 2013:

| | |
|---|---|
| 2013 | $ 999,999 |
| 2014 | 1,333,333 |
| 2015 | 1,333,333 |
| 2016 | 222,223 |
| Total | $ 3,888,888 |

*Credit Facility*

On March 1, 2012 we entered into a Business Financing Agreement with Bridge Bank. The agreement provided us with a $5 million term loan (the "Term Loan") and access to a revolving credit line (the "Revolver") of up to $10 million, which we use to help satisfy our working capital needs. We have provided Bridge Bank a first priority perfected security interest in all of our accounts and personal property as collateral for the credit facility.

Effective as of March 29, 2013 we agreed to a Third Business Financing Modification Agreement with Bridge Bank which, among other things, modifies our financial covenants and extends the maturity of the revolving line of credit to March 29, 2015.

*Term Loan*

The Term Loan is repayable in equal monthly installments through its maturity date of February 10, 2016.

*Revolver*

The Revolver provides for borrowings of up to $10 million. Available funds under the Revolver are 80 percent of eligible accounts receivable balances plus $1 million. Eligible accounts receivable is generally defined as those from United States based customers that are not more than 90 days past due.

*Debt Compliance*

The Third Business Financing Modification Agreement revised the targets for our financial covenants to an Asset Coverage Ratio, measured monthly, of not less than (i) 0.70 to 1.00 for February 2013 through May 2013, 0.80 to 1.00 for June 2013 through September 2013, 1.15 to 1.00 for October 2013 and November 2013, and 1.25 to 1.00 for December 2013 and all subsequent months; and a Debt Service Coverage Ratio, measured monthly on a trailing three month basis, of not less than 1.75 to 1.00 beginning February 28, 2013.

On March 8, 2013 Bridge Bank waived an event of default that occurred in January 2013. As of March 31, 2013 we were in compliance with all terms of the credit agreement.

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

Accrued expenses and other current liabilities consist of the following as of:

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Accrued search costs | $ 1,111,439 | $ 247,583 |
| Accrued expenses and other | 829,105 | 889,584 |
| Accrued payroll and commission liabilities | 738,309 | 522,082 |
| Deferral of Arkansas grant, current portion | 230,763 | — |
| Accrued taxes | 163,789 | 123,054 |
| Capital leases, current portion | 34,075 | 44,287 |
| Accrued affiliate expenses | 3,895 | 46,132 |
| Total | $ 3,111,375 | $ 1,872,722 |

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

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

| | March 31, 2013 | December 31, 2012 |
|---|---|---|
| Deferral of Arkansas grant, less current portion | $ 649,622 | $ — |
| Reserve for uncertain tax positions | 506,453 | 506,453 |
| Deferred rent | 146,562 | 345,814 |
| Capital leases – less current portion | 42,002 | 47,372 |
| Long-term deposits | 32,738 | 32,738 |
| Total | $ 1,377,377 | $ 932,377 |

**Note 8 - Income Taxes**

We recognized an income tax benefit of $83,000 during the three months ended March 31, 2013, due to changes in our deferred tax liability associated with the amortization of intangible assets.

As of March 31, 2013 we have accrued $506,453 for uncertain tax positions recorded in other long-term liabilities.

Although we have a net deferred tax asset, we have concluded that we are unable to support a conclusion that it is more likely than not than any of this asset will be recognized. As such, the net deferred tax asset is fully reserved. In addition, we have a deferred tax liability of $4,016,000, primarily related to intangible assets recognized as a result of the acquisition of Vertro.

**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 awards ("RSAs") from the 2005 Long-Term Incentive Plan ("2005 LTIP") and the 2010 Equity Compensation Plan ("2010 ECP"). We also have options outstanding acquired from Vertro.

Stock-based compensation expense was $189,993 and $195,419 for the three months ended March 31, 2013 and 2012, respectively. The total compensation cost at March 31, 2013 related to non-vested awards not yet recognized was approximately $384,113 to be recognized over a weighted-average recognition period of 0.89 years.

During the first quarter of 2013, we granted to certain employees a total of 100,000 RSAs with a weighted average fair value of $0.72 per share. These shares vest ratably over three years.

On March 31, 2013, some of our employees voluntarily cancelled certain outstanding stock options for no consideration. As a result, 805,134 shares were cancelled and returned to 2005 LTIP and 2010 ECP plans. The cancellation of these options resulted in the recognition of $49,577 in additional stock-based compensation expense, which represented the fair value of the cancelled options that had not yet been recognized as of the date of cancellation.

As a result of the changes noted previously, the following table summarizes our 2005 LTIP and 2010 ECP plans as of March 31, 2013:

| | Options Outstanding | RSAs Outstanding | Awards Exercised | Available Shares | Authorized Shares |
|---|---|---|---|---|---|
| 2010 ECP | 285,998 | 46,095 | 1,035,000 | 2,168,852 | 3,535,945 |
| 2005 LTIP | 33,748 | 107,730 | 246,779 | 611,743 | 1,000,000 |
| Total | 319,746 | 153,825 | 1,281,779 | 2,780,595 | 4,535,945 |

We also have 109,702 options outstanding under a plan acquired from Vertro. That plan is not authorized to issue any additional shares.

**Note 10 – Discontinued Operations**

Certain of our subsidiaries previously operated in the European Union ("EU"). Those operations have ceased, but statutory requirements require a continued presence in the EU. Profits and losses generated from the remaining assets and liabilities are accounted for as discontinued operations.

We recognized net income (loss) from discontinued operations of $125,093 and ($1,709) for the three months ended March 31, 2013 and 2012, respectively. The increase in income during the first quarter of 2013 is related to the favorable resolution of a tax audit.

**Note 11 - Leases**

Rent expense from continuing operations was $147,088 and $273,972 for the three months ended March 31, 2013 and 2012, respectively. We have entered into several transactions during 2013 that will significantly lower our future expected rent obligations.

On January 25, 2013 we signed an amendment to our Clearwater, FL lease allowing us to terminate the lease at March 31, 2013 for a lump sum payment of $615,000. In addition, on April 12, 2013 we entered into an agreement to sublease our New York City office for $48,544 per month through January 30, 2016 after rent credits of $97,088 over the first three months of the term.

On January 31, 2013 we entered into an agreement to lease office space in Conway, AR for two years at a monthly rental rate of $8,400 which we prepaid in connection with our relocation to Arkansas for a discounted total of $193,200. A director and shareholder of Inuvo is the majority owner of the lessor of this space.

Contemplating each transaction noted above, minimum lease payments under non-cancelable operating leases and sublease income are as follows for the remainder of 2013 and subsequent periods:

| | Lease Payments | Sublease Income |
|---|---|---|
| 2013 | $ 420,300 | $ 300,873 |
| 2014 | 537,501 | 582,528 |
| 2015 | 547,967 | 582,528 |
| 2016 | 45,749 | 48,544 |
| Total | 1,551,517 | 1,514,473 |

**Note 12 - Merger with Vertro, Inc.**

On March 1, 2012, we merged with Vertro. Pursuant to the terms and conditions of the merger agreement, Vertro became a wholly owned subsidiary of Inuvo and we issued to the Vertro stockholders 12,393,308 shares of our common stock for all the outstanding shares of Vertro common stock. Upon closing of the merger, all the shares of Vertro common stock, which traded under the symbol “VTRO,” were delisted from the NASDAQ Capital Market and ceased trading.

The following table summarizes the net assets received and liabilities assumed in the merger with Vertro. Adjustments to the original purchase price allocation include a revision of shares of common stock issued related to the merger and the finalization of the fair value of accrued expenses.

| | |
|---|---|
| **Total consideration paid in common stock** | $ 11,130,983 |
| **Fair value of assets acquired:** | |
| Accounts receivable, net | (2,093,845) |
| Other current assets | (520,342) |
| Property and equipment | (2,059,729) |
| Other assets | (283,911) |
| Goodwill | (3,984,264) |
| Intangible assets | (11,857,537) |
| **Fair value of liabilities assumed:** | |
| Accounts payable | 3,753,613 |
| Outstanding balance on credit facility | 1,000,000 |
| Accrued expenses | 2,782,361 |
| Deferred tax liability | 4,543,000 |
| Other long-term liabilities | 709,991 |
| **Cash received in merger** | $ 3,120,320 |
| Stock issuance costs | (687,678) |
| **Net cash received in merger** | $ 2,432,642 |

*Unaudited Pro Forma Results of Operations*

Pro forma results for the combined company for the three months ended March 31, 2012 would have been revenue of $12,551,951, net loss of ($4,080,253), and basic and diluted loss earnings per share of ($0.48). The pro forma results do not include any anticipated synergies which may occur subsequent to the acquisition date. Accordingly, such pro forma amounts are not necessarily indicative of the results that actually would have occurred had the acquisition been completed on the dates indicated, nor are they indicative of our future combined operating results.

**Note 13 - Litigation and Settlements**

*Litigation and Settlement*

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:

*Shareholder Class Action Lawsuits*. In 2005, five putative securities fraud class action lawsuits were filed against Vertro and certain of its former officers and directors in the United States District Court for the Middle District of Florida, which were subsequently consolidated. The consolidated complaint alleged that Vertro and the individual defendants violated Section 10(b) of the Exchange Act and that the individual defendants also violated Section 20(a) of the Exchange Act as "control persons." Plaintiffs sought unspecified damages and other relief alleging that, during the putative class period, Vertro made certain misleading statements and omitted material information. The court granted Defendants' motion for summary judgment on November 16, 2009, and the court entered final judgment in favor of all Defendants on December 7, 2009. Plaintiffs appealed the summary judgment ruling and the court's prior orders dismissing certain claims. On September 30, 2011, the Court of Appeals for the Eleventh Circuit affirmed the dismissal of 9 of the 11 alleged misstatements and reversed the court's prior order on summary judgment and the case has been remanded to the District Court. In October 2012 the District Court entered an order maintaining the existing stay on discovery and setting forth a schedule for briefing by the parties on the defendants' renewed motion of summary judgment.

*Derivative Stockholder Litigation*. On July 25, 2005, a stockholder, Bruce Verduyn, filed a putative derivative action purportedly on behalf of Vertro in the United States District Court for the Middle District of Florida, against certain of Vertro's directors and officers. This action is based on substantially the same facts alleged in the securities class action litigation described above. The complaint is seeking to recover damages in an unspecified amount. By agreement of the parties and by orders of the court, the case was stayed pending the resolution of the defendant's motion to dismiss in the securities class action. On July 10, 2007, the parties filed a stipulation to continue the stay of the litigation. On July 13, 2007, the court granted the stipulation to continue the stay and administratively closed the case pending notification by plaintiff's counsel that the case is due to be reopened.

*Litigation Relating to the Merger.* On October 27, 2011, a complaint was filed in the Supreme Court of the State of New York, County of New York against Vertro, its directors, Inuvo, and Anhinga Merger Subsidiary, Inc. on behalf of a putative class of Vertro shareholders (the "New York Action"). Two other complaints, also purportedly brought on behalf of the same class of shareholders, were filed on November 3 and 10, 2011, against these same defendants in Delaware Chancery Court and were ultimately consolidated by the Court (the "Delaware Action"). The plaintiffs in both the New York and the Delaware Actions alleged that Vertro's board of directors breached their fiduciary duties regarding the merger with Inuvo and that Vertro, Inuvo, and Anhinga Merger Subsidiary, Inc. aided and abetted the alleged breach of fiduciary duties. The plaintiffs asked that the merger be enjoined and sought other unspecified monetary relief.

Defendants in the Delaware Action moved to dismiss plaintiffs' complaint, but before the briefing of that motion was complete the plaintiffs filed a notice and proposed order of voluntary dismissal without prejudice, which was entered by the Delaware Court on March 20, 2012. The defendants in the New York Action also moved to dismiss the complaint, or in the alternative to stay proceedings. The New York Court granted Defendants' motion to stay on February 22, 2012 and, as a result of this ruling, the Court denied without prejudice defendants' motion to dismiss and the plaintiff's pending request for expedited discovery. Plaintiffs in the New York action then filed a Second Amended Complaint on June 19, 2012 and, on July 9, 2012, Defendants moved to dismiss that complaint for failure to state a claim. A hearing was held on January 31, 2013, regarding Defendants' motion to dismiss. A ruling on the motion to dismiss is pending.

*Express Revenue, Inc. v. Inuvo, Inc.; Case No. 10-44118-13, in the Circuit Court for the Seventeenth Judicial Circuit of Florida.* On November 4, 2010, the plaintiff filed this lawsuit alleging breach of oral contract, and violation of Florida Statute §68.065, among other claims, and seeking approximately $30,000 for allegedly unpaid commissions dating back to 2009.

Initial discovery has begun and Inuvo is vigorously defending the action.

*Corporate Square, LLC v. Think Partnership, Inc., Scott Mitchell, and Kristine Mitchell; Case No. 08-019230-CI-11, in the Circuit Court for the Sixth Judicial Circuit of Florida.* This complaint, filed on December 17, 2008, involves a claim by a former commercial landlord for alleged improper removal of an electric generator and for unpaid electricity expenses, amounting to approximately $60,000. The litigation has not been actively prosecuted, but the plaintiff recently served discovery requests seeking additional information. Inuvo is actively defending this action, and the co-defendants' separate counsel is likewise defending the claim against the co-defendants.

*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 Inuvo is vigorously defending the matter.

*Reverso-Softissimo v. ALOT.* In May 2012 a complaint was filed against us in the Court of First Instance of Paris in Paris, France. The complaint is related to our alleged use of Reverso-Softissimo's trademarks in our advertising. The case is in the initial stages and Inuvo is vigorously defending the matter.

*Sabota Class Action; Case No.: 1:13-cv-01963 in the United States District Court for the Northern District of Illinois, Eastern Division .* On March 13, 2013, the plaintiff filed this purported class action against us and a number of other defendants alleging violations of the Telephone Consumer Protection Act and Illinois Prizes and Gifts Act and seeking unspecified damages. The case is in the initial stages and Inuvo is vigorously defending the matter.

**Note 14 - Segment Analysis**

We operate our business as two segments, Network and Applications, which are described in Note 1 - Organization and Business. In 2012, we reorganized our segments and have retrospectively applied the current presentation to prior periods.

Listed below is a presentation of net revenue and gross profit for all reportable segments for the three months ended March 31, 2013 and 2012, which is consistent with how we manage the business internally. We currently only track certain assets at the segment level, so assets by segment are not presented below.

**Net Revenue by Industry Segment**

| | Three Months Ended | | | |
|---|---|---|---|---|
| | March 31, 2013 | | March 31, 2012 | |
| | $ | % of Net Revenue | $ | % of Net Revenue |
| Network | 10,793,085 | 67.8% | 6,384,088 | 72.8% |
| Applications | 5,126,694 | 32.2% | 2,383,061 | 27.2% |
| Total net revenue | 15,919,779 | 100.0% | 8,767,149 | 100.0% |

**Gross Profit by Industry Segment**

| | Three Months Ended | | | |
|---|---|---|---|---|
| | March 31, 2013 | | March 31, 2012 | |
| | $ | Gross Profit % | $ | Gross Profit % |
| Network | 3,719,680 | 23.4% | 1,482,947 | 16.9% |
| Applications | 4,719,231 | 29.6% | 1,936,451 | 22.1% |
| Total gross profit | 8,438,911 | 53.0% | 3,419,398 | 39.0% |

**Note 15 – Subsequent Events**

In March 2013 we entered into an agreement to sublease our New York City office, which became effective in April 2012. The sublease provides for rent of $48,544 per month through January 30, 2016 after rent credits of $97,088 over the first three months of the term.

**Note 16 - Related Party Transactions**

On January 31, 2013 we entered into an agreement to lease office space in Conway, AR for two years at a monthly rental rate of $8,400 which we prepaid in connection with our relocation to Arkansas for a discounted total of $193,200. A director and shareholder of Inuvo is the majority owner of the lessor of this space.

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

### Company Overview

Inuvo®, Inc. and subsidiaries ("we", "us" or "our") is an Internet marketing and technology company that develops consumer applications and delivers targeted advertisements onto websites reaching desktop and mobile.

At its core, our business is built on the delivery of Internet advertisements to consumers. Most of our revenue is generated when a consumer clicks on an advertisement we have delivered, although we also generate revenue through sales commissions and sponsored advertisements. We manage our business as two segments, Network and Applications.

The Network segment facilitates transactions between advertisers and website publishers, including both third party websites and our owned and operated websites. In this segment, we design, build, implement, manage and sell technology platforms and services. The majority of revenue generated by this segment is derived from clicks on advertisements, but we also generate revenue through sales commissions. Our technology and services offer transparency and alignment between advertisers and publishers through a sophisticated technology to target offers and predict fraud effectively, which we believe is a point of differentiation among service providers in our marketplace.

The Applications segment designs, builds and markets consumer applications, including our ALOT product portfolio and BargainMatch CashBack application. The majority of revenue generated by this segment is derived from clicks on advertisements and sponsored advertisements within applications.

On March 1, 2012 we merged with Vertro, Inc. (“Vertro”). Vertro is an Internet company that owns and operates the ALOT product portfolio, comprised of both browser-based consumer applications and websites. Among other things, the merger with Vertro:

- enhanced our ability to attract advertisers, publishers and consumers;
- diversified our revenue streams, mitigating our dependence on a single customer;
- allowed us to leverage existing ALOT install and distribution capability, providing a vehicle for our consumer facing innovations like BargainMatch;
- provided a greater footprint to access the debt and capital markets;
- combined the experience of two digital marketing teams, broadening our capabilities and reducing time to market; and
- eliminated overlapping operating and public company expenses, reducing combined costs by over $2 million per year.

### 2013 Highlights

Upon integrating the Vertro acquisition from March 1, 2012, we have taken several significant steps to take costs out of the business and position ourselves for long-term success, including:

- the renewal of our service agreement with Google;
- the $1.75 million grant from the state of Arkansas and relocation of our corporate headquarters to Conway, AR;
- the closing of our office in Clearwater, FL; and
- the subleasing of our office in New York, NY.

Our relationship with Google is an important component of our overall growth strategy. The renewal allows the opportunity to expand our ALOT consumer applications.

On January 25, 2013, we agreed with the state of Arkansas to receive a grant of up to $1.75 million to relocate our corporate headquarters to Conway, Arkansas. In accepting the grant, we agreed to have at least 50 full-time equivalent, permanent positions in Arkansas within four years, and maintain that personnel level for another six years at a total average compensation of $90,000 per year. If we fail to meet the requirements of the grant after the initial four year period, we may be required to repay a portion of the grant, up to but not to exceed the full amount of the grant. Based on our hiring and financial forecasts, we believe the probability of being required to repay the grant is remote.

In conjunction with the relocation to Conway, we exited our Clearwater, FL office lease and found a subtenant for our office lease in New York City. In addition, we have procured space for a new data center in Arkansas, which will allow us to shut down our two data center facilities in New York City. Although the full benefit of these costs savings will not be seen until June, we expect to save approximately $120,000 per month as a result of these activities.

We believe these key strategic activities will help stabilize our financial performance and provide a path for long-term success for our business.

**NYSE MKT**

Our common stock is listed on the NYSE MKT, LLC (the "Exchange"). In November 2012, we were notified by the Exchange that we were not in compliance with certain aspects of their listing requirements; specifically, due to losses from continuing operations and/or net losses in our five most recent fiscal years, the Exchange's minimum requirement for continued listing is stockholders' equity of not less than $6,000,000. We were afforded the opportunity to submit a plan of compliance to the Exchange by December 31, 2012, to demonstrate our ability to regain compliance with their listing standards. We submitted our plan and were notified on February 15, 2013 that it was accepted. We are able to continue our listing during the plan period, which ends December 2, 2013, though subject to periodic review to determine whether it is making progress consistent with the plan. As of March 31, 2013 our stockholders' equity was $4,088,853.

**Results of Operations**

*Net Revenue*

Total net revenues by segment were as follows:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 ($) | % of Net Revenue | 2012 ($) | % of Net Revenue | $ Change | % Change |
| Network | 10,793,085 | 67.8% | 6,384,088 | 72.8% | 4,408,997 | 69.1% |
| Applications | 5,126,694 | 32.2% | 2,383,061 | 27.2% | 2,743,633 | 115.1% |
| Total net revenue | 15,919,779 | 100.0% | 8,767,149 | 100.0% | 7,152,630 | 81.6% |

Net revenue in the first quarter of 2013 increased 82 percent compared to the net revenue of the first quarter of 2012. Both business segments contributed to the increase.

Net revenue of the Network segment increased 69 percent in the first quarter of 2013 over the same period of the prior year primarily due to the higher number of transactions driven through our owned and operated websites and through third party affiliates using the ValidClick platform. Revenues in the first quarter of 2012 were directly impacted by chargebacks from Yahoo! and the elimination of questionable traffic as our response to traffic irregularities on the network.

Due to recent changes in Yahoo! policies we have implemented adjustments to our traffic acquisition causing a decline in the volume of clicks and therefore revenue in the second half of March 2013. Recently we have seen improvements in the level of click volume. We plan to grow our Network segment through our owned and operated websites, such as local.alot.com. In addition, we will continue to focus on building our network of small to medium sized publishers, where the quality of responders to advertisements is most highly valued by advertisers. Finally, we plan to continue an aggressive expansion into solutions designed for use on mobile devices.

Net revenue of the Applications segment increased 115 percent in the first quarter of 2013 over the same period of the prior year primarily due to having only one month of ALOT revenue in the first quarter of 2012 since the acquisition of Vertro occurred on March 1, 2012. Recently we have seen a decline in click-through revenue and display advertising due to policy

changes made by Google that have impacted our ability to acquire new users and once acquired to monetize them at historical levels. We expect these policy changes to continue to have an adverse effect on the Applications segment during the remainder of 2013.

During the remainder of 2013, we plan to expand the ALOT Appbar with an extension for the Chrome web browser. Currently, between five and ten percent of users visiting our landing pages each day are using Chrome and going unfulfilled. In addition to the Chrome browser extension, we are developing a number of new apps for the ALOT Appbar. We plan to expand the distribution of our BargainMatch application, one of our more promising products, by bundling it with the ALOT Appbar. We also will develop marketing campaigns specifically for BargainMatch, as well as a mobile version.

*Cost of Revenue*

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 ($) | % of Net Revenue | 2012 ($) | % of Net Revenue | $ Change | % Change |
| Affiliate expenses | 6,847,494 | 43.0% | 4,505,699 | 51.4% | 2,341,795 | 52.0 % |
| Data acquisition | 427,651 | 2.7% | 767,580 | 8.8% | (339,929) | (44.3)% |
| Merchant processing fees and product costs | 205,723 | 1.3% | 74,472 | 0.8% | 131,251 | 176.2 % |
| Total cost of revenue | 7,480,868 | 47.0% | 5,347,751 | 61.0% | 2,133,117 | 39.9 % |

Cost of revenue was 40 percent higher in the first quarter of 2013 as compared to the same period in 2012. Affiliate payments represent the share of advertising click revenue we pay as commissions to our website publishers, and the increase in the first quarter of 2013 as compared to the first quarter of 2012 is reflective of the increase in revenue. These costs are directly tied to our Network revenues and will fluctuate accordingly.

Data acquisition costs consist of spend to acquire bundled downloads to drive revenue through our ALOT Appbar and spend to acquire names lists which we resell to advertisers. We have decreased our investment in these areas and expect that trend to continue. Also, during the first quarter of 2013, we determined that our names list purchases no longer have a useful life, and we expensed $322,771 to write off the remaining asset balance. In addition, we now expense the names lists fully in the month in which they are purchased.

*Gross Profit*

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 ($) | % of Net Revenue | 2012 ($) | % of Net Revenue | $ Change | % Change |
| Network | 3,719,680 | 23.4% | 1,482,947 | 16.9% | 2,236,733 | 150.8% |
| Applications | 4,719,231 | 29.6% | 1,936,451 | 22.1% | 2,782,780 | 143.7% |
| Total gross profit | 8,438,911 | 53.0% | 3,419,398 | 39.0% | 5,019,513 | 146.8% |

Gross profit increased 147 percent during the first quarter of 2013 as compared to the same period in 2012. The increase is primarily due to the acquisition of Vertro, along with the activities noted in the net revenue and cost of revenue discussions above.

*Operating Expenses*

Operating expenses, which consist of search costs, compensation and selling, general and administrative expenses were as follows:

| | Three Months Ended March 31, | | | | | |
|---|---|---|---|---|---|---|
| | 2013 ($) | % of Net Revenue | 2012 ($) | % of Net Revenue | $ Change | % Change |
| Search costs | 4,692,889 | 29.5% | 1,843,057 | 21.0% | 2,849,832 | 154.6% |
| Compensation | 1,993,325 | 12.5% | 1,296,565 | 14.8% | 696,760 | 53.7% |
| Selling, general and administrative | 2,144,831 | 13.5% | 1,985,463 | 22.6% | 159,368 | 8.0% |
| Total operating expenses | 8,831,045 | 55.5% | 5,125,085 | 58.5% | 3,705,960 | 72.3% |

Operating expenses were 72 percent higher during the first quarter of 2013 as compared to the same period in 2012 primarily due to the acquisition of Vertro on March 1, 2012. Only one month of Vertro results is reported in the 2012 numbers.

Search costs have increased due to the growth of our owned and operated websites, particularly local.alot.com, and due to the fact that the first quarter of 2012 has only one month of search costs associated with the ALOT operations which were acquired March 1, 2012.

Compensation costs and selling, general and administrative costs are also higher due to the timing of the acquisition of Vertro, offset by synergies recognized from the Vertro merger in 2013. Continued improvement in our operating expense trends is expected in connection with the relocation of our headquarters to Conway, AR.

*Other Expense*

Other expense includes net interest expense for the periods presented. For the first quarter of 2013, other expense was $106,669, generated by interest paid on our credit facility debt with Bridge Bank. For the first quarter of 2012, other expense was $166,701. This included interest paid on credit facility debt as well as a $100,743 acceleration of deferred financing fees related to the termination of the previous credit facility with Bridge bank.

*Income Taxes*

We recognized an income tax benefit of $83,000 during the three months ended March 31, 2013, due to changes in our deferred tax liability associated with the amortization of intangible assets.

*Income (loss) from Discontinued Operations*

Discontinued operations includes activity related to the remaining assets and liabilities of discontinued operations in the European Union. During the first three months of 2013, we recognized income from discontinued operation of $125,093, primarily driven by the favorable resolution of a tax audit. The net loss from discontinued operations for the three months ended March 31, 2012 was $1,709.

**Liquidity and Capital Resources**

*Liquidity*

During 2012, our liquidity was unfavorably affected by significant investments in search costs to increase downloads of our ALOT product. At March 31, 2013, we had a working capital deficit of approximately $4.0 million, approximately $0.5 million higher than our working capital deficit at December 31, 2012.

We are taking steps to reduce operating costs. Cost synergies from the merger with Vertro, Inc. on March 1, 2012 are currently yielding approximately $2.0 million in annual cost savings. In addition, we project the relocation to Arkansas will save us approximately $2.5 million in annual rent and payroll costs. To conserve cash, we may from time to time delay payments to our website publishers and other vendors, which may affect their decisions to do business with us.

Our revolving line of credit with Bridge Bank allows for up to $10 million in borrowings, and we have approximately $0.5 million in availability as of May 3, 2013.

We believe that the revolving line of credit and operating cost savings from the merger with Vertro and move to Arkansas will provide us with sufficient cash for operations over the next 12 months.

*Cash Flows - Operating*

Net cash provided by operating activities for the three months ended March 31, 2013 was $653,393, as compared to $814,957 for the same period in 2012.

During the first quarter of 2013, improvements in revenue and operating expenses produced a net loss of $290,710, which was offset by non-cash depreciation and amortization of $1,252,633 and stock-based compensation of $189,993. We paid down a portion of our current liabilities, resulting in a net use of cash in working capital of $388,466. We also saw significant and offsetting cash inflows and outflows related to our relocation to Arkansas. We spent $1,182,388 in operating cash flows related to the move while receiving $1,137,913 in related grant funds. We expect to collect the difference later in the year.

During the three months ended March 31, 2012, we generated a significant net loss of $1,874,097, which was partially offset by non-cash depreciation and amortization of $1,286,052 and stock-based compensation of $195,419. Working capital was a source of cash of $1,267,583 for the quarter as collections on accounts receivable outpaced payments on our current liabilities.

*Cash Flows - Investing*

Net cash used in investing activities was $197,218 during the first quarter of 2013. In connection with the move to Arkansas, we purchased new servers and other computer equipment for our data center and built out our new office. In total, we had cash outlays for capital expenditures of $517,127, offset by grant funds received from the state of Arkansas of $319,909. The remaining balance represents software development costs on our consumer-facing applications.

Net cash provided by investing activities in the first quarter of 2012 of $1,600,145 was primarily associated with the acquisition of Vertro, offset by the purchase of bundled downloads for the ALOT Appbar and capitalized development costs.

*Cash Flows - Financing*

Net cash used in financing activities was $611,418 for the first quarter of 2013. This was driven by net payments made on the credit facility of $948,916, offset by the release of $301,158 restricted cash which served as collateral for our letter of credit related to our Clearwater, FL office lease.

Net cash provided by financing activities during the first quarter of 2012 was $1,065,754, generated by net proceeds from the credit facility of $1,540,754. This was offset by the deposit of restricted cash to serve as collateral for our letter of credit related to the Clearwater, FL lease of $475,000.

**Off Balance Sheet Arrangements**

As of March 31, 2013, 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

Our Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining disclosure controls and procedures for us. 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 or our internal 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 are 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 controls. 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 our 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, 2013, the end of the period covered by this report, our management concluded its 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 was no change in our internal control over financial reporting identified in connection with our evaluation that occurred during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

We discuss material legal proceedings to which we are subject in our Annual Report on Form 10-K. Since the issuance of our most recent Form 10-K we were named as a defendant in the following case.

*Sabota Class Action; Case No.: 1:13-cv-01963 in the United States District Court for the Northern District of Illinois, Eastern Division* . On March 13, 2013, the plaintiff filed this purported class action against us and a number of other defendants alleging violations of the Telephone Consumer Protection Act and Illinois Prizes and Gifts Act and seeking unspecified damages. The case is in the initial stages and Inuvo is vigorously defending the matter.

### ITEM 1A. RISK FACTORS.

We incorporate by reference the risk factors disclosed in Part I, Item 1A of our Form 10-K filed with the Securities and Exchange Commission on March 13, 2013. There have been no material changes to these risk factors since the Form 10-K was issued.

### 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.

Effective as of March 29, 2013 we agreed to a Third Business Financing Modification Agreement with Bridge Bank which, among other things, modifies our financial covenants and extends the maturity of the revolving line of credit to March 29, 2015. It revised the targets for our financial covenants to an Asset Coverage Ratio, measured monthly, of not less than (i) 0.70 to 1.00 for February 2013 through May 2013, 0.80 to 1.00 for June 2013 through September 2013, 1.15 to 1.00 for October 2013 and November 2013, and 1.25 to 1.00 for December 2013 and all subsequent months; and a Debt Service Coverage Ratio, measured monthly on a trailing three month basis, of not less than 1.75 to 1.00 beginning February 28, 2013.

On April 12, 2013 we entered into an agreement to sublease our New York City office for $48,544 per month through January 30, 2016 after rent credits of $97,088 over the first three months of the term.

On January 31, 2013 we entered into an agreement to lease office space in Conway, AR for two years at a monthly rental rate of $8,400 which we prepaid in connection with our relocation to Arkansas for a discounted total of $193,200. A director and shareholder of Inuvo is the majority owner of the lessor of this space.

**ITEM 6. EXHIBITS.**

| Exhibit No. | Description of Exhibit |
|---|---|
| 10.6 | Consent to Sublease with Trinity Church effective April 12, 2013 regarding the Company's New York office. * |
| 10.7 | Sublease with Shopkeep.com, Inc. effective April 12. 2013 regarding the Company's New York office. * |
| 10.8 | Third Business Financing Modification Agreement, dated March 29, 2013, effective May 1, 2013, with Bridge Bank, National Association. * |
| 10.9 | Lease with First Orion Corp. effective March 1, 2013 regarding the Company's Conway, AR office. * |
| 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

** In accordance with Regulation S-T, the XBRL-formatted interactive data files that comprise Exhibit 101 to this report shall be deemed furnished and not filed.

**SIGNATURES**

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

**INUVO, INC.**

Date: May 9, 2013

By: */s/ Richard K. Howe*

Richard K. Howe,
Chief Executive Officer, principal executive officer

Date: May 9, 2013

By: */s/ Wallace D. Ruiz*

Wallace D. Ruiz,

Chief Financial Officer, principal financial and accounting officer

**CONSENT TO SUBLEASE**

THIS CONSENT TO SUBLEASE (this " Consent") is made as of the 12 day of April 2013, by and among THE RECTOR, CHURCH-WARDENS AND VESTRYMEN OF TRINITY CHURCH IN THE CITY OF NEW YORK, a religious corporation, having an office at 75 Varick Street, 2nd Floor, New York, New York 10013, as landlord ("Landlord"), ALOT, INC., a Delaware corporation, having an office at 1111 Main Street, Suite 201, Conway, AR 72032, as tenant ("Tenant"), and SHOPKEEP.COM, INC., a Delaware corporation, having an office at 55 Broad Street, 9th Floor, New York, New York 10004, as subtenant ("Subtenant").

**W I T N E S S E T H :**

WHEREAS, Landlord and Tenant's predecessor-in-interest are parties to a lease dated as of February 29, 2000 (the "Original Lease"), which Original Lease has been amended by a (i) Lease Modification Agreement dated as of August 8, 2000 (the "First Amendment") and (ii) Lease Modification and Extension Agreement dated as of February 23, 2006 (the "Second Amendment"; the Original Lease, as amended by the First Amendment and the Second Amendment, collectively, the "Lease"), whereby Landlord leases to Tenant certain premises consisting of the entire rentable area of the second (2nd) floor and a portion of the rentable area of the first (1st) floor (consisting solely of access stairs to the second floor) (collectively, the "Leased Premises") in the building located at 143 Varick Street, New York, New York (the " Building"), as more particularly depicted in the Lease, for a term expiring on January 31, 2016; and

WHEREAS, Tenant wishes to sublease the Leased Premises (in such capacity, the " Sublet Premises") to Subtenant and seeks Landlord's consent to such proposed sublease; and

WHEREAS, Landlord has agreed to consent to such subleasing by Tenant, subject to and upon the terms and conditions more particularly set forth below;

NOW, THEREFORE, in consideration of the premises and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

1. Capitalized terms used in this Consent but not otherwise defined herein shall have the meanings ascribed to them in the Lease.

2. Landlord hereby consents to the Sublease, made by and between Tenant and Subtenant, as of March 22, 2013 (the " Sublease"), whereby Tenant subleases the Sublet Premises to Subtenant for a term expiring on or before January 30, 2016 (notwithstanding anything to the contrary contained in the Sublease). This Consent shall not be construed as a consent by Landlord to, or as permitting, any other or further subletting by either Tenant or Subtenant or any assignment of the Lease or the Sublease, and no such further assignment or subletting shall be made except in accordance with the terms and provisions of the Lease.

3. Nothing herein contained shall be construed to modify, waive, impair or affect any of the covenants, agreements, terms, provisions or conditions contained in the Lease (except as may be otherwise herein expressly provided), or to waive any breach of Tenant in the due keeping, observance or performance thereof, or any rights of Landlord against any person, firm, partnership, association or corporation liable or responsible for the performance thereof, or to enlarge or increase Landlord's obligations under the Lease, and all of the terms, covenants, agreements, provisions and conditions of the Lease are hereby ratified and affirmed to be in full force and effect, including, without limitation, Article 11 of the Original Lease (as amended by Paragraph 12 of the Second Amendment) and Article 16 of the Original Lease.

4. Tenant shall be and remain liable and responsible for the due keeping, performance and observance throughout the term of the Lease of all of the covenants, agreements, terms, provisions and conditions therein set forth on the part of Tenant to be kept, performed and observed and for the payment of fixed rent, additional rent and all other sums now and/or hereafter becoming payable thereunder, expressly including as such, but not limited to, additional rent, adjustments of rent and any and all charges for additional electric energy, property, material, labor, utility or other similar or dissimilar services or materials supplied, furnished or rendered by Landlord in, to or in connection with the Leased Premises or any part thereof, whether for or at the request of Tenant or Subtenant.

5. The Sublease shall be subject and subordinate at all times to the Lease, to all matters to which the Lease is or shall be subject and subordinate, and to all of the covenants, agreements, terms, provisions and conditions of the Lease and of this Consent, and Subtenant shall not do, permit or suffer anything to be done in, or in connection with Subtenant's use or occupancy of, the Sublet Premises which would violate any of said covenants, terms, provisions and conditions.

6. The Sublet Premises shall be used by Subtenant only as is expressly permitted under the Lease. Subtenant represents and warrants to Landlord that Subtenant will comply with all restrictions on and provisions regarding use contained in the Lease.

7. Tenant expressly authorizes Subtenant, and Subtenant agrees that upon notice from Landlord that an Event of Default has occurred under the Lease, Subtenant shall pay directly to Landlord all rent and other sums due and payable by Subtenant under the Sublease. Notwithstanding any such payment by Subtenant directly to Landlord, if Landlord shall exercise its rights to terminate the Lease, then upon termination of the Lease, the term of the Sublease shall simultaneously and automatically terminate with the term of the Lease and Subtenant shall vacate and surrender the Sublet Premises in the condition required under the Lease on or before the earlier of (i) January 30, 2016 and (ii) the termination date of the Lease. Any act or omission by Subtenant which, if performed by Tenant and not cured within any applicable period of notice and cure, would constitute an Event of Default under the Lease,

shall also constitute an event of default or immediate and automatic default under the Sublease.

8. Upon the expiration or sooner termination of the Lease, or in the case of a surrender of the Lease by Tenant to Landlord, the Sublease and the term and estate thereby granted shall, at Landlord's election, expire and come to an end as of the effective date of such expiration, termination or surrender, and Tenant and Subtenant shall vacate the Sublet Premises on or before such date and surrender the same in the condition required under the Lease. In the case of the failure of Subtenant to so vacate, Landlord shall be entitled to all of the rights and remedies which are available to a landlord against a tenant holding over after the expiration of a term, in addition to the rights and remedies which are available to Landlord pursuant to the Lease in the event Tenant holds over after the expiration or sooner termination of the Lease.

9. In the event of any termination of the Lease, or the re-entry or dispossession of Tenant by Landlord under the Lease, and in the event Landlord does not elect to have the term and estate granted by the Sublease simultaneously expire and terminate, Landlord shall succeed to all of the right, title and interest of Tenant, as sublessor, in, to and under the Sublease, and Subtenant, at Landlord's option, shall attorn to Landlord as its sublessor pursuant to the then executory provisions of the Sublease for the remaining term thereof, except that Landlord shall not be (i) liable for any previous act or omission of Tenant under the Sublease, (ii) subject to any credit, offset, claim, counterclaim, demand or defense which may have accrued to Subtenant or which Subtenant may have against Tenant, (iii) bound by any modification to the Sublease not consented to in writing by Landlord, (iv) bound by any prepayment of rent under the Sublease more than one month in advance, (v) required to account for or return any security deposit of Subtenant unless actually delivered by Tenant to Landlord and the Subtenant would be entitled to the return thereof pursuant to the terms of the Sublease and this Consent, and (vi) bound by any obligation to make any payment to Subtenant or perform any work in the Sublet Premises.

10. In the event of the violation or breach by Tenant or Subtenant of any of the covenants, agreements, terms, provisions, conditions, representations or warranties hereof, Landlord may give written notice thereof to Tenant at the address set forth in this Consent and to Subtenant at the Sublet Premises (such notices to be delivered by certified mail, return receipt requested, or by nationally recognized overnight courier, with signature required upon delivery) and, if such violation or breach shall not have been cured (i) within the time specified in the Lease for the cure of the same type of default or (ii) in the event of a default under this Consent which is not otherwise a default under the Lease, within such reasonable time as Landlord may provide in such notice, then in addition to any other rights or remedies available to Landlord at law or in equity, Landlord may deem such violation or breach to be an Event of Default under the Lease and may pursue any and all remedies available to Landlord under the Lease as a result thereof. Mention in this Consent of any particular remedy shall not preclude Landlord from any other remedy at law or in equity.

11. Notwithstanding anything to the contrary set forth in the Lease or the Sublease, no alterations, additions (electrical, mechanical or otherwise) or physical changes shall be made in or to the Sublet Premises, or any part thereof, nor shall any Subtenant signage be installed in the Sublet Premises or elsewhere, without Landlord's prior written consent in each instance in accordance with the Lease (provided, however, that Subtenant shall not have the right to install any signage outside the Sublet Premises other than one (1) sign on the exterior of the Building of the same size and type, and in the same location, as that currently installed by Tenant on the exterior of the Building, subject to compliance with all applicable laws at Subtenant's expense, and to Landlord's reasonable approval of the design and content of such sign). For the avoidance of doubt, Subtenant shall have the right to install one (1) sign in the elevator lobby of the Sublet Premises, subject to compliance with all applicable laws at Subtenant's expense, and to Landlord's reasonable approval of the design and content of such sign. In the event Landlord shall consent thereto, all such alterations, additions or physical changes, and any such signage, shall be in compliance with the terms and conditions of the Lease and the standards established by Landlord for the Building. Any exterior sign permitted to be installed by or on behalf of Subtenant shall be installed and maintained at Subtenant's sole cost and expense, and Subtenant, at its sole cost and expense, upon the expiration or earlier termination of the Sublease, shall remove such exterior sign from the Building and repair and restore any damage caused thereby.

12. Each of Tenant and Subtenant represents and warrants that attached hereto as Exhibit A is a true, correct and complete fully executed copy of the Sublease and all other documents (if any) constituting the agreement between Tenant and Subtenant with respect to the Sublease and/or the Sublet Premises. Tenant and Subtenant agree (i) that Landlord is not party to the Sublease (or any such ancillary document) and is not bound by the provisions thereof, (ii) that the Sublease shall not be modified, supplemented or amended in any way except with the prior written consent of Landlord, and Landlord shall not be bound by any modification, supplement or amendment as to which Landlord has not given such consent, and (iii) that neither the Sublease nor any document evidencing the terms or existence thereof shall be recorded. Nothing herein contained shall be construed as a consent to, or approval or satisfaction by Landlord of any of the provisions of the Sublease, but merely as a consent to the act of subletting by Tenant to Subtenant upon the terms and conditions herein set forth. Without limiting the foregoing, nothing contained in the Sublease shall require Landlord to make any payment directly to Subtenant which Landlord is otherwise required to make to Tenant pursuant to the terms of the Lease.

13. As between the parties hereto, in the event of any conflict between the terms and conditions of (i) the Lease or this Consent and (ii) the Sublease, the terms and conditions of the Lease or this Consent shall govern and control, unaffected by the provisions of the Sublease. In the event of any conflict between the terms and conditions of the Lease and this Consent, the terms and conditions of this Consent shall govern and control.

14. Subtenant covenants and agrees to maintain the insurance required to be maintained under the Sublease, naming Landlord as an additional insured under all such policies of insurance, which policies shall be endorsed to provide that the full amount of a claim will be paid thereunder notwithstanding that such claim is also covered by an insurance policy held by Tenant. Subtenant shall provide Landlord with appropriate (a) certificates of insurance of such insurance policies evidencing the coverages required to be maintained hereby and (b) endorsements to such policies evidencing the naming of Landlord as an additional insured and the foregoing waiver of subrogation, in each case in form and substance satisfactory to Landlord.

15. Tenant and Subtenant agree that Landlord is not responsible for the payment of any commissions or fees in connection with the Sublease and each of Tenant and Subtenant hereby jointly and severally agrees to indemnify and hold Landlord harmless from and against any claims, liability, losses or expenses, including reasonable attorneys' fees and disbursements, that may be asserted against or incurred by Landlord in connection with any claims for a commission by any broker or agent in connection with this transaction. Further, if Subtenant shall attorn to Landlord pursuant to Paragraph 9 hereof and become a direct tenant of Landlord, then Landlord shall not be responsible for the payment of any commissions or fees in connection therewith and each of Tenant and Subtenant hereby jointly and severally agrees to indemnify and hold Landlord harmless from and against any claims, liability, losses or expenses, including reasonable attorneys' fees and disbursements, that may be asserted against or incurred by Landlord in connection with any claims for a commission by any broker or agent in connection with such direct tenancy.

16. Tenant agrees that Tenant shall pay all amounts due to Landlord in connection with the Sublease pursuant to Article Seventeen of the Lease, including, without limitation, Landlord's legal fees for the review of the Sublease and preparation of this Consent in the amount of $2,500.00 (the "Consent Fee"). Such Consent Fee shall be payable by check to "The Rector, Church-Wardens and Vestrymen of Trinity Church in the City of New York", which shall be delivered to Landlord concurrently with the execution and delivery of this Consent by Tenant.

17. As of the date hereof, (a) Tenant certifies to Landlord that to the best of Tenant's knowledge, (i) Landlord is not in default under the terms and conditions of the Lease and Tenant is not entitled to any credits or offsets against the rent due thereunder, and (ii) no event has occurred which would constitute a default under the Lease, either upon service of notice or the passage of time; and (b) Landlord certifies to Tenant and Subtenant that (i) there are no outstanding defaults by Tenant under the terms and conditions of the Lease for which Landlord has issued a default notice and, to Landlord's knowledge, there are no other defaults by Tenant under the terms and conditions of the Lease, and (ii) the Lease is currently in full force and effect.

18. The provisions of this Consent shall be governed by and construed solely in accordance with the internal laws of the State of New York, without giving effect to the principles of conflicts of laws.

19. If any term or provision of this Consent or the application thereof to any entity or individual in any circumstances shall be invalid or unenforceable to any extent, the remainder of this Consent or the application of such term or provision to the entities or individuals or in the circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby. Each term and provision of this Consent shall be valid and be enforced to the fullest extent permitted by law.

20. All of the representations, warranties and provisions of this Consent shall survive the expiration or sooner termination of the Lease and the Sublease.

21. Neither this Consent nor any provision hereof may be modified, changed, waived or terminated orally, but only by an instrument in writing, signed by the party against whom enforcement of the modification, change, waiver or termination is sought.

22. Except to the extent otherwise expressly provided for herein, all notices, demands, consents and approvals given under this Consent shall be in writing and shall be deemed to have been sufficiently given or served when presented personally (with receipt acknowledged), delivered to an overnight courier service with guaranteed next business day delivery (with receipt acknowledged) or, if deposited in the mail, postage prepaid, certified or registered, return receipt request, addressed to the parties hereto at their respective addresses set forth in the Lease and the Sublease upon the actual receipt or refusal. Any party may change its address by notice to all parties.

23. This Consent may be executed in any number of counterparts, each of which shall constitute an original, but all of which, taken together, shall constitute but one and the same instrument. Any executed counterpart of this Consent transmitted by facsimile, email or other electronic transmission shall be deemed an original counterpart and shall be as effective as an original counterpart of this Consent and shall be legally binding upon the parties hereto to the same extent as delivery of an original counterpart.

* * *

**[Remainder of Page Intentionally Left Blank; Signature Page Follows.]**

**IN WITNESS WHEREOF**, this Consent has been executed by each of the parties hereto as of the date first set forth above.

**LANDLORD:**

THE RECTOR, CHURCH-WARDENS AND VESTRYMEN OF TRINITY CHURCH IN THE CITY OF NEW YORK

By: */s/ Jason Pizer*
Name: Jason Pizer
Title: Executive Vice President

**TENANT:**

ALOT, INC.

By: */s/ John Pisaris*
Name: John Pisaris
Title: Secretary

**SUBTENANT:**

SHOPKEEP.COM, INC.

By: */s/ David Olk*
Name: David Olk
Title: Chief Operating Officer

**TENANT ACKNOWLEDGEMENT:**

STATE OF NEW YORK )
) ss.:
COUNTY OF NEW YORK )

On this _8 day of _April____, 2013, before me, the undersigned, a Notary Public in and for said State, personally appeared__John Pisaris___, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

_*/s/ Crystal Boynton*_____
Notary Public

My commission expires:__10/23/15__

**SUBTENANT ACKNOWLEDGEMENT:**

STATE OF NEW YORK )
) ss.:
COUNTY OF NEW YORK )

On this _5th day of ___April____, 2013, before me, the undersigned, a Notary Public in and for said State, personally appeared _David Olk_____, personally known to me or proved to me on the basis of satisfactory evidence to be the individual(s) whose name(s) is (are) subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their capacity(ies), and that by his/her/their signature(s) on the instrument, the individual(s), or the person upon behalf of which the individual(s) acted, executed the instrument.

_*/s/ Hitlall Hitlall*_____
Notary Public

My commission expires:__April 8, 2014__

**SUBLEASE**

THIS SUBLEASE (this Sublease") is made as of the _ 22 day of March, 2013, by and between **ALOT, INC. (F/K/A MIVA DIRECT, INC.,** a Delaware corporation having an address at 143 Varick Street Street, New York, New York 10013 ("Sublandlord"), and **SHOPKEEP.COM, INC.**, a Delaware corporation, having an office at 55 Broad Street, 9th floor, New York, NY 10004 ("Subtenant").

**W I T N E S S E T H**

WHEREAS, Sublandlord rents from The Rector, Church of Wardens and Vestrymen of Trinity Church in the City of New York, as landlord, certain premises comprising 14,208 rentable square feet on the entire second (2nd) floor in the building known as 143 Varick Street, New York, New York 10013 ("Building") and which premises are more particularly described on Exhibit A attached hereto and made a part hereof (the "Premises"), under that certain Lease dated as of February 29, 2000 (the "Original Lease"), between The Rector, Church of Wardens and Vestrymen of Trinity Church in the City of New York, as landlord ("Landlord"), and Comet Systems, Inc. ("Comet"), as tenant, as modified by Agreement dated as of August 8, 2000 (the "First Modification"), between Landlord and Comet, and Comet assigned all of its right, title and interest in and to the Original Lease and First Modification to Haley Acquisition Corp., and Haley Acquisition Corp. assumed all of Comet's obligation and duties under the Original Lease and First Modification, by Assignment dated as of March 22, 2004 (the "Assignment"), and Haley Acquisition Corp. merged with Comet by Certificate of Merger dated March 22, 2004 and filed Secretary of State of the State of Delaware on April 13, 2004, and Haley Acquisition Corp. changed its name to Comet by Certificate of Amendment dated April 2, 2004 and filed with the Secretary of State of the State of Delaware on April 13, 2004, and Comet changed its name to Miva Direct, Inc. by Certificate of Amendment dated June 6, 2005 and filed with the Secretary of State of the State of Delaware on June 7, 2005, and the Original Lease and First Modification, were further modified and extended by Lease Modification and Extension Agreement dated as of February 23, 2006 (the "Second Modification"), between Landlord and Miva Direct, Inc., and Miva Direct, Inc. changed its name to Alot, Inc. by Certificate of Amendment dated June 3, 2009 and filed with the Secretary of State of the State of Delaware on June 3, 2009 (the Original Lease, as modified, amended, assigned and extended by the First Modification, the Assignment and the Second Modification is sometimes hereinafter referred to collectively, as the "Master Lease");

WHEREAS, a redacted but otherwise true and complete copy of the Master Lease has been delivered to Subtenant and Subtenant hereby acknowledges receipt thereof;

WHEREAS, Sublandlord herein represents and warrants as follows:

a. the Master Lease is in full force and effect, neither Landlord nor Sublandlord is in default thereunder and neither party has sent or received any notices of default hereunder within the prior twelve (12) months from the date of this Sublease;

b. there are no rights or options to terminate the Master Lease held by either of Landlord or Sublandlord thereunder;

c. No premises in the Building are leased under the Master Lease by Sublandlord other than the Premises.

d. Electricity is currently provided to and paid for by Sublandlord on a submetered basis under the Master Lease and a working electric submeter is currently installed at the Premises and Sublandlord is only liable, and Subtenant, shall only be liable, for its electricity consumption used at the Premises only (and not any other portion of the Building), with an eight percent (8.0%) administrative fee payable thereon.

e. With respect to Paragraph 12 of the Second Modification the unredacted number showing the new demolition payment allowance is $123,750.00. Sublandlord hereby assigns to Subtenant any and all rights Sublandlord has in and to any such demolition payment allowance payable by Landlord to Sublandlord in accordance with Article 11 of the Original Lease and Paragraph 12 of the Second Modification.

WHEREAS, Subtenant desires to rent and sublease the Premises from Sublandlord, on the terms and conditions more specifically set forth herein.

NOW, THEREFORE, in consideration of the covenants and agreements contained herein, and the sum of Ten and 00/100 Dollars ($10.00), and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Sublandlord and Subtenant agree as follows:

**SECTION 1.** Demise and Description of Property. Sublandlord hereby rents to Subtenant, and Subtenant hereby hires from Sublandlord, on and subject to the terms, conditions, and covenants hereinafter set forth, and subject to all the terms and conditions of the Master Lease and all rights and interests of Landlord thereunder (unless otherwise specifically provided herein), the Premises and any and all appurtenant rights and privileges that Sublandlord may have under the terms of the Master Lease, and except as otherwise expressly provided herein, the terms and conditions of the Master Lease are incorporated herein.

**SECTION 2.** Term. (a) Subject to the provisions of Section 2(b) of this Sublease, the term of this Sublease (the "Sublease Term") shall commence as of the later of the following dates: (x) the date on which a fully-executed copy of this Sublease is delivered by Sublandlord to Subtenant and (y) the date that Landlord executes a written consent to this Sublease as required by the Master Lease (the "Commencement Date"), and shall end on January 30, 2016, or on such earlier date upon which the said term may expire or be terminated pursuant to any of the conditions of limitation or other provisions of this Sublease, or on any such date on which the Master Lease is terminated pursuant to its express terms and conditions (the "Expiration Date").

(b) Sublandlord shall deliver vacant, broom-clean and lien free possession of the Premises to Subtenant on the Commencement Date, subject to Section 4(c) below.

(c) Notwithstanding anything contained in this Sublease, this Sublease is contingent upon the consent of this Sublease by the Landlord as required by the Master Lease.

**SECTION 3.** Rent. (a) Subtenant shall pay to Sublandlord, in legal tender by either wire transfer to Sublandlord's bank account provided to Subtenant or by check sent by mail to Sublandlord's address at 143 Varick Street, New York, New York 10013(or such other location as Sublandlord shall specify in a written notice to Subtenant) rent in the amount of $48,544.00 per month (which is equal to $41.00 per rentable square foot and $582,528.00 annually) (the "Base Rent")

(b) Subtenant shall pay Base Rent to Sublandlord on the first (1st) day of each calendar month during the Sublease Term. If the Commencement Date is other than the first day of a calendar month, then the Base Rent for the calendar month in which the Commencement Date occurs shall be prorated on a per diem basis. Subtenant's failure to pay Base Rent when due shall entitle Sublandlord to exercise any of the Landlord's rights and remedies for the failure to pay Base Rent as set forth in Articles 24, 25 and 26 of the Master Lease. Notwithstanding anything contained in this Sublease, Subtenant shall be bound by all of the terms and provisions of this Sublease from the Commencement Date.

(c) Notwithstanding anything contained herein to the contrary, Subtenant shall be entitled to a credit against the Base Rent in the amount of $97,088.00 (the "Rent Credit") with $48,544.00 to be applied to the Base Rent due on the first (1st) full calendar month following the Commencement Date and $24,272.00 to be applied to the rent due on each of the second (2nd) and third (3rd) full calendar months following the Commencement Date and Subtenant shall thereafter be required to pay the full monthly Base Rent hereunder from and after the first (1st) day of the fourth (4th) full calendar month after the Commencement Date. If the Commencement Date falls on a day other than the first (1st) calendar day of a calendar month, the Rent Credit shall be applied to the Base Rent commencing on the first (1st) full calendar month of the Sublease Term and Subtenant shall pay Sublandlord on the Commencement Date the per diem prorated portion of the Base Rent for the month in which the Commencement Date occurs.

(d) On or before the Commencement Date, Subtenant shall deliver the sum of $48,544.00 to Sublandlord, representing the advance payment of the balance of the Base Rent due on the first (1st) day of the second (2nd) and third (3rd) full calendar months after the Commencement Date over and above that portion of the Rent Credit to be applied to the Base Rent for such months. Notwithstanding, anything to the contrary contained herein, Subtenant shall not be required to make another monthly payment of Base Rent hereunder until the first (1st) day of the fourth (4th) full calendar month after the Commencement Date, subject to the provisions of Section 3(c), and thereafter Subtenant shall make the monthly payments of Base Rent in accordance with Section 3(a) of this Sublease.

(e) Subtenant shall pay to Sublandlord, Tenant's Proportionate Share of any increase in Real Estate Taxes for the Building above the Base Taxes for the Building, as additional rent, in accordance with Article 30 of the Master Lease, except that for purposes of this Sublease, the Base Year (as defined in the Master Lease) for the purposes of determining Subtenant's liability under Article 30 of the Master Lease shall be the New York City fiscal year commencing July 1, 2013 through June 30, 2014. Tenant's Proportionate Share is .5622 as set forth in Section 3b. of the Second Modification.

(f) In lieu of any Percentage Escalation, Expense Payments or other operating expense pass throughs and CPI increases, all of which are herein deemed inapplicable and waived for this Sublease (other than increase in Real Estate Taxes as provided in Section (e) above), Subtenant shall pay to Sublandlord, as additional rent, annual increases in Base Rent in an amount equal to two and twenty-five hundredths percent (2.25%) above the prior year's Base Rent amount as the same may be increased each year by said two and twenty-five hundredths percent (2.25%), commencing on the first (1st) day of the thirteenth (13th) full calendar month after the Commencement Date, which increases shall be payable during each subsequent twelve (12) month period during the term of this Sublease.

(g) Notwithstanding anything contained in subsections (e) and (f) of this Section 3, Subtenant shall not be required to pay any increases under such subsections for the first twelve (12) full calendar months during the term of this Sublease. For increases in Real Estate Taxes, no increases shall be payable by Subtenant until, at the earliest, July 1, 2014, when the Base Year expires.

**SECTION 4.** Use and Condition. (a) Subtenant will occupy and use the Premises solely for general, administrative and executive offices and for any other uses permitted by the Master Lease. Subtenant acknowledges and agrees that it is familiar with the building of which the Premises is a part (the "Building"), Landlord, and the management, operation and services provided by Landlord, and will accept the Premises in an "as is" condition, except as specifically set forth herein. Subtenant further acknowledges and agrees that, except as set forth herein, Sublandlord has made no representations or undertakings to Subtenant with respect to the condition of the Premises.

(b) Subtenant further agrees that in the event Sublandlord is required to make any alterations or additions to the Premises under the Master Lease in order to comply with applicable zoning and building regulations or otherwise, Sublandlord will pay all costs of such required alterations or additions.

(c) Sublandlord shall leave those items of furniture, fixtures and equipment currently located in the Premises for which Subtenant has advised Sublandlord that Subtenant wishes to use at the Premises during the Sublease Term as set forth on Exhibit "B" annexed hereto (collectively, the "Subtenant Property"). Sublandlord shall have no obligation to repair or replace any item of furniture and equipment from and after the Commencement Date. Title and ownership to the Subtenant Property is hereby transferred to Subtenant as of the Commencement Date of the Sublease Term for a cost of $10.00 and no portion of the Base Rent or additional rent payable by Subtenant hereof is attributable to any of the Subtenant Property, and at the expiration of the Sublease Term, Subtenant shall be responsible for removing such Subtenant Property from the Subleased Premises in accordance with the terms and conditions of the Master Lease. On the Expiration Date, Subtenant shall leave the Premises broom clean and free of any furniture, trade fixtures or equipment.

(d) Notwithstanding anything contained herein, Subtenant shall have no obligation or responsibility to remove, repair or restore any alterations, installations or equipment installed or made by Sublandlord prior to the Commencement Date.

**SECTION 5.** Assignment, Transfer or Subletting. Subtenant shall not (1) assign, sublet, transfer, mortgage, pledge, hypothecate or encumber, or subject to, or permit to exist upon or be subjected to, any lien or charge upon the Premises, this Sublease or any interest therein, except as expressly provided in and pursuant to the terms and conditions of the Master Lease, or (2) permit the use or occupancy of the Premises or any part thereof for any purpose not provided for under Section 4 of this Sublease or by any person or entity other than Subtenant.

The provisions of Article 17 of the Master Lease shall be deemed to benefit the Subtenant hereunder.

**SECTION 6.** Compliance with Master Lease . (a) This Sublease and all rights and interests of Subtenant hereunder shall be subject and subordinate to the Master Lease. . The rights and obligations of Landlord under the Master Lease with respect to any part or all of the Subleased Premises shall not be in any way affected or modified by this Sublease. Except for Articles 1, 22, 29, 30 (expect as amended hereby), 39, 45 and 46 and Exhibits A, Exhibit C, Exhibit D and Exhibit E of the Master Lease, Article 1 through 10 of the First Modification and Article 3b, Article 4, the 2nd subparagraph (other than the 1st sentence thereof) of Section 5a. Sections 8 and 11 of the Second Modification, Subtenant shall be bound by, and covenants and agrees to perform and comply with, all of the terms, provisions, covenants and conditions of the Master Lease (excepting, however, those terms, provisions, covenants and conditions which are inconsistent with the agreements and provisions of this Sublease) applicable to Sublandlord or the Premises, or the use and occupancy thereof with each reference therein to (i) "Landlord" and "Tenant" to be deemed to refer to Sublandlord and Subtenant, respectively, (ii) "Rent" or "rent" to be deemed to be the Base Rent set forth in Section 3 hereof, (iii) "Term" to be deemed to refer to the Sublease Term, and (iv) the "Lease" to be deemed to refer to this Sublease.

(b) Subtenant shall not do, suffer or permit anything to be done which would result in a default under the Master Lease, or cause the Master Lease to be terminated or Sublandlord to suffer or incur any liability, loss, cost, expense or damage. Subtenant agrees to comply with all rules and regulations which may be adopted by Landlord with respect to the Premises or the Building. Subtenant shall be required at its sole cost and expense to obtain the consent of Landlord with respect to any matter or thing required by Subtenant during the term of this Sublease which requires Landlord's consent under the Master Lease. Any consent of Landlord automatically shall be deemed the consent of Sublandlord. In the event Sublandlord shall receive written notice from Landlord of an alleged default caused by Subtenant under the Master Lease with respect to the Premises, except for a default arising from Sublandlord's failure to pay Rent or additional rent under Article 1 of the Master Lease, and Escalations under Article 30 of the Master Lease, Sublandlord shall give written notice of such default to Subtenant and Subtenant shall immediately undertake any and all actions required to cure such alleged default. In the event Subtenant fails to undertake such action within the applicable cure or grace periods set forth in Section 12 hereof, in addition to and without waiving any other legal or equitable remedies Sublandlord may have with respect thereto, Sublandlord may elect to enter the Premises pursuant to applicable legal proceedings and take such action and to incur such costs, fees and expenses as Sublandlord shall deem necessary or desirable to cure such alleged default. In the event of a default under the Master Lease continuing beyond any applicable cure or grace period which is caused by Subtenant, Subtenant covenants and agrees

to immediately pay Sublandlord any reasonable, out of pocket costs, fees and expenses actually incurred by Sublandlord in connection with such default or the cure thereof.

**SECTION 7.** Sublandlord's Obligations. (a) Except as set forth below, Sublandlord's sole obligation, with respect to any work, repairs, repainting, restoration and services at or for the benefit of the Premises or the Building (including without limitation heating, air conditioning, utilities, elevators, parking, janitorial and all other services necessary or convenient to the occupancy or use of the Premises ("Services")) or the performance of any other obligations required of the Landlord under the Lease, shall be to request Landlord to perform the same for Subtenant and to enforce such obligations of Landlord with due diligent efforts; and Sublandlord shall have no responsibility or liability to Subtenant hereunder to make or perform any work, repairs, repainting, restoration or to provide any services to the Premises or to otherwise perform any obligations of Landlord under the Master Lease. Subtenant hereby expressly waives and releases any right or claim which it now or at any time might otherwise have against Sublandlord, with respect to any matter or thing which is the responsibility or obligation of Landlord under the Master Lease, except that where Subtenant shall notify Sublandlord that Landlord is not supplying Subtenant with Services, or performing its obligations under the Master Lease, Sublandlord shall promptly request and enforce such obligations of Landlord using due diligent efforts that Landlord provide such Services or perform such obligations and Sublandlord shall deliver a copy of such request to Subtenant contemporaneously therewith.

(b) Subtenant shall have the right, at its sole cost and expense, to enforce Sublandlord's rights with respect to Services and obligations required to be performed by Landlord for the Premises and shall execute any such documents and pleadings as may be requested by Subtenant with regard to same, in Sublandlord's name or in Subtenant's name as agent for Sublandlord, provided, however, that Subtenant shall indemnify and hold harmless Sublandlord from and against all actual liabilities, losses claims, demands, penalties, damages or reasonable expenses which Sublandlord may incur or suffer by reason of such action, except any such liability, loss, claim, demand, penalty, damage or expense which Sublandlord incurs or suffers as a result of Sublandlord's intentional misconduct or negligence. Sublandlord agrees to cooperate with Subtenant in such action and shall execute any and all documents reasonably required in furtherance of such action. If and to the extent that Sublandlord may be required to pay Landlord for any such work or services, Subtenant shall pay, or reimburse Sublandlord for the payment of, all or such portion thereof as shall be for the benefit of the Subtenant, within thirty (30) days after receipt by Subtenant of Landlord's or Sublandlord's statement therefor; it being understood and agreed that any work or Services required by Subtenant in addition to that which Landlord is required to provide under the Master Lease, if any, shall be deemed to be one hundred percent (100%) for the benefit of Subtenant, unless Sublandlord and Subtenant shall have agreed in writing to a different allocation before the time that Landlord shall be requested to provide such additional service or to perform such additional work. Except as set forth in the Master Lease or pursuant to applicable law, failure by the Landlord to furnish Services or perform any work or obligation under the Master Lease, or any cessation thereof, to any extent, shall not be construed to be an eviction of Subtenant, nor function as an abatement of Rent, nor relieve Subtenant from fulfillment of any covenant or agreement hereof, except to the extent that the Sublandlord shall be relieved of such corresponding obligation under the Master Lease. Sublandlord shall not do, suffer or permit anything to be done which would result

in a default under the Master Lease, or cause the Master Lease to be terminated or Subtenant to suffer or incur any liability, loss, cost, expense or damage. Sublandlord shall indemnify and hold harmless Subtenant from and against all actual liabilities, losses claims, demands, penalties, damages or reasonable expenses which Subtenant may incur or suffer by reason of Sublandlord's default under the Master Lease, except any such liability, loss, claim, demand, penalty, damage or expense which Subtenant incurs or suffers as a result of Subtenant's acts or omissions. Sublandlord agrees to cooperate with Subtenant in such action and shall execute any and all documents reasonably required in furtherance of such action. Subtenant shall indemnify and hold harmless Sublandlord from and against all actual liabilities, losses claims, demands, penalties, damages or reasonable expenses which Sublandlord may incur or suffer by reason of Subtenant's default under this Sublease or the Master Lease as incorporated herein, except any such liability, loss, claim, demand, penalty, damage or expense which Sublandlord incurs or suffers as a result of Sublandlord's acts or omissions. Subtenant agrees to cooperate with Sublandlord in such action and shall execute any and all documents reasonably required in furtherance of such action.

**SECTION 8.** Alterations and Signage. (a) Subtenant shall not make any alterations, decorations, installations, additions or improvements of any kind to the Premises ("Alterations") without obtaining the express prior written consent of Sublandlord and Landlord thereto, which shall not be unreasonably withheld, conditioned or delayed and shall be given in accordance with applicable provisions of the Master Lease. Any and all Alterations made with such consent shall be at the sole cost and expense of Subtenant. Without limiting the generality of the foregoing, Subtenant shall provide all drawings, plans, specifications, permits and other items required by Landlord under the Master Lease or reasonably required by Sublandlord in connection with this Sublease regarding such Alterations. All Alterations shall be done in accordance with applicable provisions of the Master Lease, including Article 4 thereof. So long as Landlord consents to or approves any Alterations requested by Subtenant, Sublandlord shall not withhold its consent or approval of such Alterations.

(b) Notwithstanding the foregoing, the parties agree that if Landlord fails to consent in writing to (i) this Sublease within days following Subtenant's submission to Sublandlord of an executed copy of this Sublease, Subtenant shall have the right to immediately terminate this Sublease, in which event this Sublease shall be of no further force and effect and the parties shall have no further rights, duties or obligations hereunder, and thereafter Sublandlord promptly shall return Subtenant's Security Deposit and the initial Base Rent payment to Subtenant within three (3) business days after the date on which such termination becomes effective.

(c) Sublandlord shall remove its signage from the door of the Premises and the awning at Sublandlord's sole cost and expense and Subtenant shall have the right to install or place its name and/or signage thereon, subject to and in accordance with the terms and provisions of the Master Lease.

**SECTION 9.** Waiver of Claims and Indemnity . (a) To the extent not expressly prohibited by law, and except to the extent caused by or resulting from the negligence or intentional misconduct of Landlord, Sublandlord, its officers, directors, agents, servants and employees, Subtenant releases Sublandlord from, and waives all claims for, damages to any person or property

sustained by Subtenant or by any of its employees, agents, or invitees at the Premises or the Building, or by any other person (except for Sublandlord, its officers, directors, agents, servants and employees), resulting directly or indirectly from fire or other casualty, or any existing or future condition, defect, matter or thing in the Premises, the Building or any part thereof, or from any equipment or appurtenance therein, or from any accident in or about the Premises or the Building, or from any act or neglect of Landlord or any tenant or other occupant of the Building or of any other person (except for Sublandlord, its officers, directors, agents, servants and employees).

(b) All personal property belonging to Subtenant or any other person that is in the Premises, as well as Sublandlord Property, shall be there at the risk of Subtenant or other person only and Sublandlord shall not be liable for any damage thereto or theft or misappropriation thereof, except to the extent caused by or resulting from the negligence or intentional misconduct of Landlord, Sublandlord, its officers, directors, agents, servants and employees. To the extent not expressly prohibited by law, Subtenant agrees to defend, indemnify and hold Sublandlord harmless from and against any and all loss, cost, expense, claims, damages and liabilities, including reasonable attorneys' fees and expenses, which may be asserted or which Sublandlord may suffer or incur by reason of Subtenant's occupancy or use of the Premises, or the conduct of its business, or any activity, work, or thing done, permitted or suffered by Subtenant in or about the Premises, or any breach or default on the part of Subtenant in the performance of any covenant or agreement on the part of Subtenant to be performed pursuant to the terms of this Sublease or due to any negligent act or omission of Subtenant, its agents, servants or employees, except for such damages and claims by reason of Sublandlord's acts or omission and except to the extent caused by or resulting from the negligence or intentional misconduct of Landlord, Sublandlord, its officers, directors, agents, servants and employees.

**SECTION 10.** Interest. Subtenant shall pay Sublandlord interest on all amounts not paid when due herein at the rate equal to five percent (5.0%) per annum from the due date thereof until paid.

**SECTION 11.** Holdovers. In the event Subtenant shall holdover after expiration or termination of this Sublease without the written consent of Sublandlord or Landlord, Subtenant shall be responsible to Landlord for any and all sums due and payable by Sublandlord under the Master Lease, including without limitation, Article 27. thereof.

**SECTION 12.** Default. (a) If Subtenant shall default in fulfilling any of the terms, covenants, or agreements hereof, or of the Master Lease as herein incorporated, and such default shall not have been remedied (or proper corrective measures to cure such default not commenced) within the time period set forth in the Master Lease after written notice from Sublandlord for (each a "Subtenant Default"), then Sublandlord may treat any such Subtenant Default as a breach of this Sublease, and Sublandlord may give Subtenant five (5) days notice of intention to end the term of this Sublease. At the end of said five (5) days, Sublandlord shall have, and at its option may exercise, any one or more of the remedies described in Articles 24, 25 and 26 of the Master Lease, in addition to all other rights and remedies provided at law or in equity.

(b) The rights and remedies given to Sublandlord hereunder are and shall be deemed to be cumulative, and the exercise by Sublandlord at any time of one or more rights or

remedies shall not be deemed to prevent an election excluding the exercise by Sublandlord at any other time of a different or inconsistent right or remedy as shall be given to Sublandlord by the terms hereof, or by law, and the mention in this Sublease of any specific right or remedy shall not preclude Sublandlord from maintaining any action to which it may otherwise be entitled either at law or in equity.

**SECTION 13.** Waiver of Breach. The failure of Sublandlord at any time to insist in any one or more instances upon a strict performance of any covenant of this Sublease or to exercise any right, remedy, or option herein granted or established by law, shall not be construed as a waiver or a relinquishment for the future exercise of such covenant, right, remedy, or option, but the same shall continue and remain in full force and effect, and if any breach shall occur and afterwards be compromised, settled or adjusted, this Sublease shall continue in full force and effect as if no breach had occurred unless otherwise agreed. The receipt and acceptance by Sublandlord of Rent, and the payment by Subtenant of Rent, with knowledge of the breach of any term, covenant or condition hereof, shall not be deemed a waiver of such breach, and no waiver by Sublandlord or Subtenant, as the case may be, of any provision hereof shall be deemed to have been made unless (and then only to the extent) expressed in writing and signed by Sublandlord or Subtenant, as the case may be.

**SECTION 14.** Notices. Except as otherwise provided in this Sublease, any bill, statement, notice or communication which Sublandlord may desire or be required to give Subtenant, shall be deemed sufficiently given if in writing and either delivered personally, mailed, postage prepaid, by certified mail, return receipt requested or sent by reputable overnight courier service (i.e., Federal Express or UPS Next Day Air) for next day delivery with shipping charges prepaid, to Subtenant at the Premises or to such other address as Subtenant may in writing from time to time designate. Any notice which Subtenant may desire or be required to give Sublandlord shall be deemed sufficiently given if in writing and either delivered personally, mailed to Sublandlord, postage prepaid, by certified mail, return receipt requested, or sent to Sublandlord by reputable overnight courier service (i.e., Federal Express or UPS Next Day Air) for next day delivery with shipping charges prepaid, addressed to Sublandlord at the address first set forth above or such other place as Sublandlord from time to time designates by written notice to Subtenant. Any notices given hereunder shall be deemed delivered when the return receipt is signed or refusal to accept the notice is noted or one day after the notice is sent if sent by overnight courier service.

**SECTION 15.** Insurance. Subtenant shall procure and keep in force at its own expense during the Sublease Term the insurance required by Article 32 of the Master Lease.

**SECTION 16.** Brokerage. Subtenant and Sublandlord represent and warrant to each other that they have dealt with no brokers, agents or persons in connection with this transaction, other than Newmark Knight Frank & Studley, Inc. (collectively, the "Broker") and Subtenant and Sublandlord covenant and agree to indemnify and hold harmless each other from and against any claims by any broker, agent or person, other than Broker, claiming a commission or other form of compensation by virtue of having dealt with the indemnifying party with regard to this sublease transaction or any liability arising from the inaccuracy of the representations in this Section 16. Sublandlord shall pay the commissions of the Broker in accordance with a separate written

agreement between Sublandlord and Broker. The provisions of this Section 16 shall survive the termination of this Sublease and the Master Lease as incorporated herein.

**SECTION 17.** Successors and Assigns. This Sublease shall be binding upon and inure to the benefit of the successors and assigns of Sublandlord, and shall be binding and inure to the benefit of Subtenant, its successors and such assigns as may be provided for in this Sublease.

**SECTION 18.** Governing Law. This Sublease shall be governed by and construed in accordance with the laws of the State of New York.

**SECTION 19.** Captions. The captions in this Sublease are for convenience only and shall in no way be deemed or construed to define, limit, describe or amplify the scope of this Sublease nor the intent or meaning of any provision hereof.

**SECTION 20.** Severability. If any clause or provision of this Sublease is or becomes illegal, invalid, or unenforceable because of present or future laws or any rule or regulation of any governmental body or entity, effective during the term of this Sublease, the intention of the parties hereto is that the remaining parts of this Sublease shall not be affected thereby.

**SECTION 21.** Superior Title; Quiet Enjoyment. (a) Subtenant recognizes and agrees that Sublandlord's and Landlord's titles, respectively, are and always will be paramount to the title of Subtenant, and under no circumstances shall Subtenant be empowered to do any act which can, shall or may encumber Sublandlord's or Landlord's title.

(b) The covenant of quiet enjoyment as provided in Article 28 of the Master Lease shall be deemed to be for the benefit of Subtenant hereunder and shall be deemed granted herein by Landlord and Sublandlord.

**SECTION 22.** No Recording. Neither this Sublease nor any memorandum of the same shall be recorded.

**SECTION 23.** Complete Agreement; Amendments. There are no oral agreements between the parties hereto affecting this Sublease and this Sublease supersedes and cancels any and all previous negotiations, arrangements, brochures, agreements and understandings, if any, between the parties hereto with respect to the subject matter of this Sublease. There are no representations between the parties hereto other than those contained in this Sublease and all reliance with respect to any representations is solely upon such representations as may be included in this Sublease. This Sublease contains the entire agreement between the parties, and any executory agreement hereafter made shall be ineffective to change, modify, discharge or effect an abandonment of it in whole or in part unless such executory agreement is in writing and signed by the party against whom enforcement of the change, modification, discharge or abandonment is sought.

**SECTION 24.** Counterparts; Fax or Pdf Signature. This Sublease may be executed in counterparts, each of which so executed shall be deemed an original, but all of which, taken together, shall constitute one and the same agreement, binding upon the parties hereto, their

heirs, executors, administrators, successors and permitted assigns. Execution of this Sublease by fax or email "pdf" signature and transmission shall be deemed the same as an original signature.

**SECTION 25.** Jurisdiction. Both parties agree that any dispute arising out of this Sublease shall be subject to the jurisdiction of both the State and Federal Courts in the State of New York. For this purpose, both parties hereby submits to the jurisdiction and venue of the State and Federal Courts of the State of New York.

**SECTION 26.** Limitation of Liability. (a) The members, managers, directors, officers and principals, agents and consultants, whether direct or indirect, of Sublandlord (collectively, the "Sublandlord Officers") shall not be liable for the performance of Sublandlord's obligations under this Sublease. Subtenant shall look solely to Sublandlord to enforce Sublandlord's obligations hereunder and shall not seek any damages against any of the Sublandlord Officers. Subtenant shall not look to any property or assets of any of the Sublandlord Officers in seeking either to enforce Sublandlord's obligations under this Sublease or to satisfy a judgment for Sublandlord's failure to perform such obligations.

(b) The members, managers, directors, officers and principals, agents and consultants, whether direct or indirect, of Subtenant (collectively, the "Subtenant Officers") shall not be liable for the performance of Subtenant's obligations under this Sublease. Sublandlord shall look solely to Subtenant to enforce Subtenant's obligations hereunder and shall not seek any damages against any of the Subtenant Officers. Sublandlord shall not look to any property or assets of any of the Subtenant Officers in seeking either to enforce Subtenant's obligations under this Sublease or to satisfy a judgment for Subtenant's failure to perform such obligations.

SECTION 27. **Security Deposit.** (a) Subtenant shall deposit a security deposit (the "Security Deposit") in the sum of $300,000.00 with Sublandlord upon the Commencement Date, in cash as security for the faithful performance and observance by Subtenant of the terms, covenants and conditions of this Sublease, including the surrender of possession of the Premises to Sublandlord as herein provided.

(b) Notwithstanding anything contained in Section , in lieu of a cash deposit, from and after the Commencement Date, Subtenant may deliver the Security Deposit to Sublandlord in the form of an unconditional and irrevocable letter of credit ("Letter of Credit") in an amount equal to $300,000.00. The Letter of Credit shall (i) be in form and substance reasonably satisfactory to Sublandlord, (ii) name Sublandlord as beneficiary, (iii) expressly allow Sublandlord to draw upon it at any time from time to time after the expiration of any applicable notice or cure period being provided to Subtenant hereunder after a Subtenant Default under this Sublease by delivering to the issuer notice that Sublandlord is entitled to draw thereunder, (iv) be issued by a financial institution insured by the Federal Deposit Insurance Corporation and reasonably acceptable to Sublandlord, and (v) redeemable by presentation of a sight draft as provided expressly in the Letter of Credit only. Unless the Letter of Credit is an "evergreen" Letter of Credit complying with the foregoing, if Subtenant does not provide Sublandlord with a substitute Letter of Credit complying with all of the requirements hereof at least ten (10) days before the stated expiration date of any then current Letter of Credit, Sublandlord shall have the right to draw the full amount of the current Letter of Credit and hold the funds drawn in cash without obligation for interest thereon as the Security

Deposit. If Subtenant has previously provided a cash Security Deposit and replaces the same with a Letter of Credit satisfying the terms hereof, Sublandlord agrees to return the cash Security Deposit (or so much thereof as has not been properly applied in accordance with the terms of this Sublease) to Subtenant within fifteen (15) business days following Sublandlord's receipt of the Letter of Credit. Should Subtenant comply with all of the terms, covenants and conditions of this Sublease and promptly pay all of the Base Rent and additional rent herein provided for when due, and all other sums payable by Subtenant to Sublandlord hereunder, the Letter of Credit (if one has been provided by Subtenant during the Sublease) shall be returned in full to Subtenant within fifteen (15) business days following the termination or expiration of this Sublease.

(c) Notwithstanding anything to the contrary contained in this Sublease, subject to the terms of this Section 27, and provided that this Sublease is in full force and effect and a Subtenant Default has not occurred and is not continuing on the Reduction Date (as hereinafter defined), and provided Sublandlord has not previously drawn on any portion of the Security Deposit hereunder by reason of any Subtenant Default under this Sublease, then Subtenant shall have the right to reduce the amount of the Letter of Credit to a sum equal to $200,000.00 (the "Reduction Amount") on the date on which the one (1) year anniversary of the Commencement Date shall occur (the "Reduction Date"), and for the balance of the Sublease Term, the Letter of Credit shall at all times remain in the Reduction Amount.

(d) Subtenant shall cooperate, at Subtenant's expense, with Sublandlord to promptly execute and deliver to Sublandlord any and all modifications, amendments and replacements of the Letter of Credit, as Sublandlord may reasonably request to carry out the intent, terms and conditions of this Section 27.

*[Signature page follows]*

IN WITNESS WHEREOF, Sublandlord and Subtenant have executed this Sublease as of the day and year first above written.

**SUBLANDLORD:**

ALOT, INC.
a Delaware corporation

By: */s/ John Pisaris*
John Pisaris, Secretary

**SUBTENANT:**

SHOPKEEP.COM, INC.
a Delaware corporation

By: */s/ David Olk*
Name: David Olk
Title: Chief Operating Officer

**THIRD BUSINESS FINANCING MODIFICATION AGREEMENT**

This Third Business Financing Modification Agreement is entered into as of March 29, 2013, by and between BRIDGE BANK, NATIONAL ASSOCIATION ("**Lender**") and INUVO, INC., a Nevada corporation ("**Parent**"), BABYTOBEE, LLC, a New York limited liability company ("**Babytobee**"), KOWABUNGA MARKETING, INC., a Michigan corporation ("**Kowabunga**") VERTRO, INC., a Delaware corporation ("**Vertro**") and ALOT, INC., a Delaware corporation ("**ALOT**") and together with Parent, Babytobee, Kowabunga and Vertro, each a "**Borrower**" and collectively, "**Borrowers**")

1 . DESCRIPTION OF EXISTING INDEBTEDNESS: Among other indebtedness which may be owing by Borrowers to Lender, Borrowers are indebted to Lender pursuant to, among other documents, a Business Financing Agreement, dated March 1, 2012 by and between Borrowers and Lender, as may be amended from time to time, including by that certain First Business Financing Modification Agreement dated as of June 29, 2012 and that Second Business Financing Modification Agreement dated as of October 11,2012 (collectively, the "Business Financing Agreement"). Capitalized terms used without definition herein shall have the meanings assigned to them in the Business Financing Agreement.

Hereinafter, all indebtedness owing by Borrowers to Lender shall be referred to as the "Indebtedness" and the Business Financing Agreement and any and all other documents executed by a Borrower in favor of Lender shall be referred to as the "Existing Documents."

2. DESCRIPTION OF CHANGE IN TERMS.

A. Modification(s) to Business Financing Agreement:

i) Section 1.12(c) of the Business Financing Agreement is hereby amended and restated in its entirety to read as follows:

"(c) Repayment. Borrowers shall repay the Term Loans in (i) 45 equal installments of principal plus (ii) monthly payments of interest beginning on June 10, 2012, and on the 10th calendar day of each month thereafter until the Term Loan Maturity Date. In any event, on the Term Loan Maturity Date, Borrowers will repay the remaining principal balance plus any interest then due on the Term Loans."

ii) Section 4.15 of the Business Financing Agreement is hereby deleted in its entirety and replaced by the following:

"4.15 Maintain Borrowers' consolidated financial condition as follows using generally accepted accounting principles consistently applied and used consistently with prior practices (except to the extent modified by the definitions herein):

(a) Asset Coverage Ratio, measured monthly, of not less than (i) 0.70 to 1.00 for the February 2013, March 2013, April 2013 and May 2013 measuring periods, (ii) 0.80 to 1.00 for the June 2013, July 2013, August 2013 and September 2013 measuring periods, (iii) 1.15 to 1.00 for the October 2013 and November 2013 measuring periods and (iv) 1.25 to 1.00 for the December 2013 measuring period and each monthly measuring period thereafter.

(b) Debt Service Coverage Ratio, measured monthly on a trailing 3 month basis, of not less than 1.75 to 1.00 for each measuring period beginning February 28, 2013."

ii) The following defined terms are hereby to Section 12.1 of the Business Financing Agreement, or amended and restated, as follows:

"**Maturity Date**" means two years from the Third Modification Date or such earlier date as Lender shall have declared the Obligations immediately due and payable pursuant to Section 7.2.

"**Third Modification Date**" means March 29, 2013.

3. CONSISTENT CHANGES. The Existing Documents are each hereby amended wherever necessary to reflect the changes described above.

4. RESERVED.

5. NO DEFENSES OF BORROWER/GENERAL RELEASE. Each Borrower agrees that, as of this date, it has no defenses against the obligations to pay any amounts under the Indebtedness. Each Borrower (each, a "Releasing Party") acknowledges that Lender would not enter into this Business Financing Modification Agreement without Releasing Party's assurance that it has no claims against Lender or any of Lender's officers, directors, employees or agents. Except for the obligations arising hereafter under this Business Financing Modification Agreement, each Releasing Party releases Lender, and each of Lender's and entity's officers, directors and employees from any known or unknown claims that Releasing Party now has against Lender of any nature, including any claims that Releasing Party, its successors, counsel, and advisors may in the future discover they would have now had if they had known facts not now known to them, whether founded in contract, in tort or pursuant to any other theory of liability, including but not limited to any claims arising out of or related to the Agreement or the transactions contemplated thereby. Releasing Party waives the provisions of California Civil Code section 1542, which states:

> A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER, MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The provisions, waivers and releases set forth in this section are binding upon each Releasing Party and its shareholders, agents, employees, assigns and successors in interest. The provisions, waivers and releases of this section shall inure to the benefit of Lender and its agents, employees, officers, directors, assigns and successors in interest. The provisions of this section shall survive payment in full of the Obligations, full performance of all the terms of this Business Financing Modification Agreement and the Business Financing Agreement, and/or Lender's actions to exercise any remedy available under the Agreement or otherwise.

6. CONTINUING VALIDITY. Each Borrower understands and agrees that in modifying the existing Indebtedness, Lender is relying upon such Borrower's representations, warranties, and agreements, as set forth in the Existing Documents. Except as expressly modified pursuant to this Business Financing Modification Agreement, the terms of the Existing Documents remain unchanged and in full force and effect. Lender's agreement to modifications to the existing Indebtedness pursuant to this Business Financing Modification Agreement in no way shall obligate Lender to make any future modifications to the

Indebtedness. Nothing in this Business Financing Modification Agreement shall constitute a satisfaction of the Indebtedness. It is the intention of Lender and Borrower to retain as liable parties all makers and endorsers of Existing Documents, unless the party is expressly released by Lender in writing. No maker, endorser, or guarantor will be released by virtue of this Business Financing Modification Agreement. The terms of this paragraph apply not only to this Business Financing Modification Agreement, but also to any subsequent Business Financing modification agreements.

7. CONDITIONS. The effectiveness of this Business Financing Modification Agreement is conditioned upon delivery by each Borrower of updated Corporate Resolutions to Borrow.

8. COUNTERSIGNATURE. This Business Financing Modification Agreement shall become effective only when executed by Lender and each Borrower.

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IN WITNESS WHEREOF, Borrowers and Lender have executed this Third Business Financing Modification Agreement on the day and year above written.

| BORROWERS: | | LENDER: | |
|---|---|---|---|
| INUVO, INC. | | BRIDGE BANK NATIONAL ASSOCIATION | |
| By | */s/ Wallace D. Ruiz* | By | */s/ Sarah Schmidt* |
| Name: | Wallace D. Ruiz | Name: | Sarah Schmidt |
| Title: | CFO | Title: | SVP |

BABYTOBEE, LLC

By */s/ Wallace D. Ruiz*
Name:
Title:

KOWABUNGA MARKETING, INC.

By */s/ Wallace D. Ruiz*
Name:
Title:

VERTRO, INC.

By */s/ Wallace D. Ruiz*
Name:
Title:

ALOT, INC.

By */s/ Wallace D. Ruiz*
Name:
Title:

***[Signature Page to Third Business Financing Modification Agreement]***

**SUBLEASE**

**FIRST ORION CORP. Sublessor**

**TO**

**INUVO, INC. Sublessee**

**KNOW ALL MEN BY THESE PRESENTS:**

First Orion Corp. (the "Sublessor") does hereby sublease, let and rent unto Inuvo, Inc., a Nevada corporation (the "Sublessee") for the consideration and upon the terms and conditions hereinafter set forth, the following described lands situated in Faulkner County, Arkansas:

Approximately 5,834 sq. ft. of office space (consisting of Spaces 201-202 (approximately 3,000 sq. ft.), Spaces 207-208 (approximately 2,690 sq. ft.) and a conference room adjacent to the elevator (approximately 144 sq. ft.)) plus the pro rata share of the common space (bathrooms, break area and corridors) in the Conway Federal Plaza building located at 1111 Main Street in Conway, AR as reflected in the attached Exhibit B (the "Premises"). For purposes of this Sublease, the sublessee's pro rata share shall be 47.32% (5,834 of 12,330 rentable square feet on the second floor the Conway Federal Plaza building).

**1. TERM**

A. This sublease shall have a term of twenty four (24) months beginning on the 1st day of March, 2013, and expiring on the 28th day of February, 2015.

B. This sublease shall not be renewable except by written agreement between Sublessor and Sublessee. Should Sublessee be allowed to remain in possession after termination of this sublease, either in due course or by reason of the breach of any of its provisions by the Sublessee, or should Sublessor accept any rent after such termination, then neither the remaining in possession nor the acceptance of the rent shall be deemed a renewal of this Sublease or a tenancy from year to year, but, on the contrary, the status of the Sublessee shall be deemed that of a tenant-at-will, and the Sublessee will immediately vacate the Premises upon being notified to do so by the Sublessor.

**2. SUBLEASE RATES**

A. Sublessee shall pay to Sublessor a monthly rental of $8,400 as rentals for the use of said property. Notwithstanding, Sublessee shall prepay in full the aggregate rent due of the initial term as set forth in Section 1A above, by making a single lump sum payment of $193,200 (the "Lump Sum Payment"). Sublessee shall make such payment in full not later than March 1, 2013. This payment is exclusive of all other charges to be paid by Sublessee, including, without limitation, operating expenses set forth in Section. Any such additional charges will be billed monthly and payable by Sublessee to Sublessor within 30 days of receipt of invoices from Sublessor.

B. Time is of the essence and all monthly sublease rentals are to be delivered to Sublessor at 1111 Main Street, Suite 203, Conway, AR 72032or via electronic draft on or before the 1st day of each month beginning March, 2013.

C. Rent for the Premises for the term herein above specified is payable monthly in advance throughout said term of this Sublease. Rental payments will be considered to be made on time if received by Sublessor on or before the fifth day of each month. If rent has not been paid by the fifth of the month in which it is due, a 5% late charge will be assessed.

**3. SECURITY DEPOSIT**

A. No deposit is required as collateral security by Sublessee.

**4. CONDITION AND/OR IMPROVEMENTS TO BUILDING**

A. Sublessee accepts the building as proposed (See Attached Exhibit C **)**, providing Sublessor shall cause all necessary work to be done to provide for the structural integrity of the roof and exterior walls.

B. Sublessor will provide tenant improvements as per Exhibit D. Sublessee shall promptly reimburse Sublessor for the cost of such improvements in excess of $22,000. In the event this Sublease terminates prior to expiration other than due to the breach of this Sublease by Sublessor, in addition to any other amounts due by Sublessee, Sublessee shall pay Sublessor an amount equal to $916.67 times the number of months (whole or partial) remaining between termination date and the end of the initial term of this Sublease, provided, however, the foregoing shall not apply in the event Sublessee has made the Lump Sum Payment.

C. Sublessor, at its option, will permit Sublessee to provide and pay for its own tenant improvements that are in addition to the tenant improvements set forth in Exhibit D. Plans and specifications for such improvements must be submitted to Sublessor for approval.

D. Any outside signage by Sublessee must conform to sign specification guidelines for the building and/or must have written approval from Sublessor prior to any installation. (See Attached Sign Specifications)

E. Upon the termination of this Sublease by either expiration of the sublease term or breach by Sublessee, Sublessor shall have the right to retain the Premises as altered, changed or improved by either Sublessee or Sublessor.

**5. OPERATING EXPENSES**

A. Sublessee shall reimburse Sublessor on a monthly basis for its pro rata share utilities and fiber broad band service, without markup.

B. Sublessor shall pay for real property taxes and property insurance.

C. Sublessee shall reimburse Sublessor for maintenance and repair costs of the Premises as outlined in this Sublease.

D. Sublessee shall pay its pro rata share of the second floor common area charges allocated to Sublessor under the Prime Lease. These charges include charges for 2nd floor common area janitorial and maintenance & repair, and elevator maintenance & repair. Sublessee shall be responsible for cleaning costs associated with its leased space which is not included in any pro rata share of common area charges. For purposes of this Sublease, Prime Lease means the Lease, dated June 1, 2012, as amended, entered into between Sublessor and Nabholz Properties, Inc. ("Prime Lessor") whereby Sublessor leases the Premises from Prime Lessor.

E. Sublessee shall pay its pro rata share of the first floor lobby and overall building & grounds charges allocated to Sublessor under the Prime Lease. The charges include 1st floor lobby janitorial and maintenance & repair, landscape & parking lot maintenance & repair, and alarm & security charges.

**6. USE OF BUILDING**

A. Said subleased Premises shall, during the life of this Sublease, be used for office space and any legal activities related directly thereto.

B. Said Premises shall not be put to any use by Sublessee which would produce an increased hazard to said Premises or cause an increase in insurance premiums for insurance coverage on said Premises, without the consent of Sublessor.

C. Sublessee shall have the quiet and peaceful possession and enjoyment of said lands and improvements during the term of this sublease.

D. Parking for the building will be provided in the lots adjacent to the building on the east and south side of the building. In addition, public parking is available on the north and west sides of the building. Sublessor reserves the right to assign parking and/or locate parking for tenants in the building within a one block radius. (See Exhibit B)

**7. RESERVED**

**8. PERMITTED SUBLEASE AND THE PRIME LEASE**

A. Sublessor covenants that it is the right and authority to execute this Sublease.

B. In the event Sublessor enters into an addendum with the Prime Lessor after February 28, 2013 and such addendum provides Sublessor an abatement of rent, fees, or expenses with respect to all or any portion of the Premises from the Prime Lessor, then Sublessor shall grant a parallel abatement (pertaining to such portion of the Premises) to Sublessee.

C. Except as provided herein, Sublessor shall not (A) (1) do anything which would constitute a violation or breach of any of the terms, conditions or provisions of the Prime Lease or which would cause the Prime Lease to be terminated or forfeited or (2) permit any such violation or breach, or (B) voluntarily cancel or surrender the Prime Lease.

D. Sublessor shall promptly furnish Sublessee with copies of all notices relating to the Premises which Sublessor receives from Prime Lessor.

E. Sublessor agrees to pay all rent and other fees and expenses with respect to that portion of the Premises not subleased hereunder according to the terms and conditions set forth in the Prime Lease.

F. Sublessor hereby represents and warrants to Sublessee that (i) the Prime Lease is in full force and effect as of the date hereof; (ii) Sublessor has received no notice or claim that the Premises do not comply with applicable legal requirements for general office use, (iii) Sublessor has fully performed its obligations under the Prime Lease in all material respects through the date of this Sublease, (iv) to the knowledge of Sublessor, there are no pending claims against Sublessor nor, to the knowledge of sublessor, any facts that would reasonably be expected to give rise to a claim against Sublessor, under the Prime Lease by the counterparties thereto, (v) there exists no defaults by Sublessor (or any event that, with the giving of notice or the passage of time or both, would constitute a default on the part of Sublessor) under the Prime Lease and (vi) to Sublessor's knowledge, there exists no defaults by Prime Landlord (or any event that, with the giving of notice or the passage of time or both, would constitute a default by Prime Landlord) under the Prime Lease.

**9. HOLD HARMLESS AGREEMENT & INSURANCE REQUIREMENTS**

A. Sublessee assumes all risk of and liability for damages to persons or property arising during the terms of the sublease, in connection with the Premises, or use thereof, and shall indemnify and hold harmless Sublessor and the property of Sublessor, including the subleased Premises, the Prime Lessor and the property of the Prime Lessor (the "Sublessor Indemnitees") from any and all claims, liability, loss, damage, or expenses resulting from any use or any other

occupation and use of the Premises by Sublessee, including, but not limited to, any of such arising by reason of the injury to or death of any person or persons or by reason of damage to any property caused by the condition of the subleased Premises, the condition of any improvements or personal property in, on or about the subleased Premises, or the acts or omissions of the Sublessee of any person in, on or about the areas with the express or implied consent of the Sublessee. Such obligation of the Sublessee to indemnify and hold harmless the Sublessor Indemnitees shall include, but not be limited to, any claim, liability, loss, damage or expense arising by reason of the injury to or death of any agent, officer or employee of the Sublessee, any independent contractor hired by the Sublessee to perform work or render services in, on, or about the Premises, or any agent, officer or employee of any such independent contractor, and any other person from any cause whatsoever, while in, on or about the Premises, streets, alleys, sidewalks or public ways adjacent thereto during the term. Insurance to be provided by the respective indemnitor as hereinafter provided must contain a clause or endorsement specifically affording covering against liability contractually assumed by the Sublessee. The indemnity herein contained is intended to be a complete indemnity against any and all expenses, damages or loss of any kind to the Sublessor, including without limitation, attorney's fees, court costs and similar expenses incurred in defending against any claim even if groundless.

B. Sublessee covenants that it will, in the conduct of any business upon said Premises, fully comply with all federal, state, county and local statutes, laws and ordinances pertaining to the conduct of such business; holding Sublessor and the subleased Premises harmless from any and all liability whatever arising from such business activities conducted thereon by Sublessee.

C. The Sublessee shall carry commercial general liability in the amount of $500,000 each occurrence and $1,000,000 annual aggregate, bodily injury and property damage.

D. Sublessee shall show Sublessor and the Prime Lessor, as an additional named insured with respect to general liability provision and provide Sublessor with a certificate of insurance stating same.

E. The Sublessee shall obtain fire legal liability in the amount of $50,000 on Sublessee's policy.

F. The Sublessee shall provide hazard insurance for protection of any and all personal property. The Sublessor is not responsible for damage of any kind to Sublessee's personal property or bodily injury.

G. Sublessee's Environmental Representation. Sublessee represents and warrants to Sublessor that the Premises (including surface water, ground water and any existing improvements) shall not be contaminated with any asbestos, substantial amounts of waste or debris, or contamination, including without limitation:

(a) Any "hazardous waste" as defined by the Resource Conservation and Recovery Act of 1976, as amended from time to time, and regulations promulgated thereunder;

(b) any “hazardous substance” as defined by the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time, and regulations promulgated thereunder; and

(c) any substance the presence of which on the Premises is prohibited or regulated by any federal, state or local law, ruling, rule or regulation similar or dissimilar to those set forth in this paragraph (collectively referred to as “Hazardous Material”). Sublessee hereby indemnities Sublessor, and its successors and assigns and agrees to hold Sublessor and its successors and assigns harmless from and against any and all losses, liabilities, damages, injuries, penalties, fines, costs, expenses and claims of any and every kind whatsoever (including attorney’s fees and costs) paid, incurred or suffered by, or asserted against, Sublessor, and its successors and assigns, as a result of any claim, demand or judicial or administrative action by any person or entity (including governmental or private entities) for, with respect to, or as a direct or indirect result of the presence on or under of the escape, seepage, leakage, spillage, discharge, emission or resublease from the Premises after the Commencement Date, of any Hazardous Material (including costs, expenses or claims asserted or arising under the Comprehensive environmental Response, Compensation and Liability Act, as amended, and any so-called state or local “Superfund” or “Superlien” law, or any other federal, state or local statue, law, ordinance, code, rule, regulation, order or decree regulating, relating to or imposing liability or standards on conduct concerning any Hazardous Material), regardless of whether or not cause by, or within the control of, the Sublessee. The representations, warranties and indemnity contained in this section shall survive the execution and recordation this sublease, and shall continue in favor of Sublessor after termination and delivery of possession by Sublessee.

**10. DAMAGE TO BUILDING**

A. Sublessor warrants that the building shall be covered by fire, windstorm and extended coverage insurance and if any improvements upon the subleased Premises shall, at any time during either the primary or any extended term of this Sublease, be so badly damaged by fire, windstorm, or other casualty, without fault therefore on the part of Sublessee which would void the insurance on the Premises, then the rentals coming due hereunder shall abate until such time as said building has been restored to its approximate condition immediately prior to the happening of such casualty.

B. In the event of a substantial total destruction of said improvements from fire, wind storm, or other casualty, (substantial destruction as herein used means destruction which will cost 20% or more of the value of the improvements prior to destruction to restore such improvements) the Sublessor may, at its sole option, elect to rebuild said improvements, and shall give Sublessee notice of its decision within sixty (60) days after such occurrence.

C. In the event of such casualty and a decision by the Prime Lessor not to rebuild said Premises, this sublease shall terminate.

D. If at the discretion of Sublessor the Sublessee threatens the integrity or value of the building and/or the safety of the property either because of failure to properly maintain the Premises or because of its use of the property, Sublessor will have the right to demand that the situation be remedied and if not remedied within 15 days, Sublessor shall have the right to terminate the sublease.

E. Sublessee agrees to obtain written approval from Sublessor prior to the removal of any fixture or improvement from the subleased Premises. Furthermore, Sublessee agrees to repair any damage caused by the removal of any fixture or improvement from the subleased Premises.

**11. DEFAULT AND LATE PAYMENT**

A. In the event any rental payments coming due hereunder be not paid timely paid when due, or if, at any time during the primary or any extended term of this sublease the Sublessee should be declared bankrupt or insolvent, either voluntarily or involuntarily the Sublessor shall have the right to declare this sublease terminated and Sublessee shall immediately surrender possession of said subleased Premises.

B. If the Sublessor is required to incur any expenses including legal fees in the enforcement of this agreement, the Sublessee will be responsible for and will reimburse the Sublessor for such expenses.

C. The failure of the Sublessor or Sublessee to insist upon the strict and literal performance of any agreement or condition herein or to exercise any option retained or granted by reason of a default by the Sublessee shall not constitute a waiver of the Sublessor's right thereafter to insist upon and enforce full performance of such conditions and agreements.

D. Time is of the essence of each of the agreements and conditions herein to be performed by the Sublessee. The failure of Sublessor to insist upon performance of any of the agreements and conditions herein in any one or more instances shall not be a waiver of the right thereafter to insist upon full and complete performance of such agreements and conditions. Receipt by the Sublessor of rent with knowledge of the breach of any of the agreements and conditions hereto shall not be deemed a waiver of such breach.

E. On termination of this sublease in due course, Sublessee agrees to surrender possession of the subleased Premises without demand. Failing to do so, Sublessee will, in addition to the damages generally recoverable, be liable to Sublessor for all damages Sublessor may sustain, including claims made by any succeeding tenant against subleased Premises to the succeeding tenant.

F. In the event of a breach of any of the terms or conditions hereof by Sublessee, Sublessor may:

(a) Take possession of the subleased Premises and sublease the same for the account of the Sublessee upon such terms as may be acceptable to Sublessor, and apply the proceeds received from such leasing, after paying the expenses thereof, toward the payment of the rent which the Sublessee herein is obligated to pay and collect the balance thereof from Sublessee; or

(b) Take possession of the subleased Premises and collect from the Sublessee all damages sustained by reasons of such breach; or

(c) Pursue any remedy or remedies which may be available at law or in equity.

G. In the event of a breach of any of the terms or conditions hereof by Sublessor, Sublessed may pursue any remedy or remedies which may be available at law or in equity,

**12. RIGHT OF WAY**

A. Sublessor shall have the right to enter upon the subleased Premises at reasonable times and under reasonable conditions for the purpose of inspecting the same.

**13. ASSIGNMENTS OF SUBLEASE**

A. This Sublease shall not be assigned, nor shall the subleased Premises or any portion thereof be sublet without the written consent of Sublessor.

**14. REQUIRED ALTERATIONS**

A. In the event any changes, alterations or additions are required by any law, ordinance or regulation of the fire department or board of health, or other regulatory agency of any government, then the costs of such change, alterations or additions shall be paid by the Sublessee.

**15. INTERPRETATION OF SUBLEASE**

A. “Eminent Domain. If the subleased Premises be subject to any eminent domain proceedings, the sublease shall terminate if all of the subleased Premises are taken or if the portion taken is so extensive that the residue is wholly inadequate for Sublessee's purposes. If the taking be partial, then Sublessee’s rental shall be reduced in the proportion which the space bears to the space originally subleased. In such condemnation proceedings, Sublessee may claim compensation for the taking of any removable installations which by the terms of this sublease Sublessee would be permitted to remove at the expiration of this sublease, but Sublessee shall be entitled to no additional award, it being agreed that all damages allocable to full fee simple ownership of the entire subleased Premises shall in any event be payable to Sublessor.

B. The Sublessee shall be held to the most strict interpretation of all terms and conditions contained in this sublease agreement.

C. This agreement shall become effective upon the date of execution of the last of the parties hereto to execute the same.

EXECUTED THIS ___31___ DAY OF JANUARY, 2013.

**Sublessor: FIRST ORION CORP.**

By: __*/s/ Jeff Stalnaker*_____
Jeff Stalnaker, CEO

**Sublessee: INUVO, INC.**

By: __*/s/ Trey Barrett*__
Trey Barrett, COO

**EXHIBIT 31.1**

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

I, Richard K. Howe, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 our 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.

May 9, 2013 By: */s/ Richard K. Howe*

Richard K. Howe,
Chief Executive Officer, principal executive officer

**EXHIBIT 31.2**

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

I, Wallace D. Ruiz, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q 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 our 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.

May 9, 2013 By: */s/ Wallace D. Ruiz*

Wallace D. Ruiz,
Chief Financial Officer, principal financial and accounting officer

**EXHIBIT 32.1**

**Section 1350 Certification**

In connection with the Quarterly Report of Inuvo, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2013 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.

May 9, 2013 By: */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.

**EXHIBIT 32.2**

**Section 1350 Certification**

In connection with the Quarterly Report of Inuvo, Inc. (the "Company") on Form 10-Q for the quarter ended March 31, 2013 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.

May 9, 2013 By: */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.