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

FORM 10-K

(Mark One)

☑ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2017

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.)
500 President Clinton Ave., Suite 300, Little Rock, AR	72201
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (501) 205-8508

Securities registered under Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock	NYSE MKT

Securities registered under Section 12(g) of the Act:

None
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. ☐ Yes ☑ No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. ☐ Yes ☑ No

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 such filing requirements for the past 90 days. ☑ Yes ☐ No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§229.405 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☑

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company:

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☑
		Emerging growth company	☐

If an emerging growth company, indicate by checkmark if the registrant has not elected to use the extended transition period for complying with any new or revised financial accounting standards pursuant to Section 7(a)(2)(B) of the Securities Act: ☐

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

The aggregate market value of the outstanding common stock, other than shares held by persons who may be deemed affiliates of the registrant, computed by reference to the closing sales price for the registrant's common stock on June 30, 2017 (the last business day of the registrant's most recently completed second quarter), as reported on the NYSE American, was approximately $24.4 million.

As of February 2, 2018, there were 28,618,580 shares of common stock of the registrant outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the 2018 Annual Meeting of Stockholders, to be filed within 120 days of the year ended December 31, 2017, are hereby incorporated by reference in Part III of this Annual Report on Form 10-K.

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CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

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

- material dependence on our relationships with Yahoo!, OpenX, Google and other demand partners;
- dependence on relationships with supply partners and the introduction of new products and services, which require significant investment;
- dependence on our ability to effectively market and attract traffic to our sites;
- dependence on our financing arrangements with Western Alliance Bank, which is collateralized by our assets;
- need to keep pace with technology changes;
- fluctuations of quarterly financial results and the trading price of our common stock;
- vulnerability to interruptions of services;
- dependence on key personnel;
- vulnerability to regulatory and legal uncertainties and our ability to comply with applicable laws and regulations;
- need to protect our intellectual property;
- the seasonality of our business;
- vulnerability to publishers who could fabricate clicks;
- vulnerability to a downturn and to uncertainty in global economic conditions;
- requirement to adhere to the covenants and restrictions in our grant agreement with the state of Arkansas; and
- the dilutive impact to our stockholders from outstanding restricted stock grants and options.

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

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

OTHER PERTINENT INFORMATION

Unless specifically set forth to the contrary, when used in this report the terms "Inuvo," the "Company," "we," "us," "our" and similar terms refer to Inuvo, Inc., a Nevada corporation, and its subsidiaries. When used in this report, "2016" means the fiscal year ended December 31, 2016, "2017" means the fiscal year ended December 31, 2017, and "2018" means the fiscal year ending December 31, 2018. The information which appears on our corporate web site at www.inuvo.com is not part of this report.

PART I

ITEM 1. BUSINESS.

Company Overview

We develop technology that connects advertisers with consumers through interactions with content across devices. The Inuvo Exchange provides the means to interact with tens of thousands of advertisers (Demand) and tens of thousands of online publishers (Supply). We interact with Demand/Supply constituents directly and indirectly. We serve ads within content, video and slideshows. We target ads to consumers using our proprietary IntentKey, a form of artificial intelligence ("AI") that uses the Internet as a source of information. The result of the AI includes a database of over 500 million machine profiles, of which over 100 million are updated each week. We use this AI as the means to develop and deliver online audiences to our advertisers. We earn revenue when consumers view and/or click on our ads. Our business scales as we add Demand and Supply relationships with many barriers to entry including the ability to process hundreds of thousands of transactions per second. Collectively, our technology platforms facilitate the buying and selling of media in a manner that positions Inuvo as an advertising exchange.

Our intellectual property is protected by fifteen issued and eight pending patents. We count among our many contractual relationships, three clients who collectively manage over 50% of all US digital advertising budgets. Included within our Supply portfolio is a collection of owned websites such as alot.com and earnspendlive.com, where we create content in health, finance, travel, careers, auto, education and living categories. These sites provide the means to test ad-tech, while also delivering high quality consumers to advertisers through interaction with proprietary content in the form of images, videos, slideshows and the written word.

Products and Services

The Inuvo Exchange is digital marketplace that allows advertisers and publishers the opportunity to buy and sell advertising space in real time. The Exchange includes the following products and services:

- ValidClick: A software as a service and delivery platform for publishers that offers a pay-per-click solution where advertisements are targeted to consumers based on content and behaviors.
- Digital Publishing: Branded web properties like ALOT.com, earnspendlive.com, search4answers.com and many more with content developed, edited and published by Inuvo in categories like health, finance, travel, entertainment, careers, education, lifestyle and automotive.
- Visual Monetization Platform ("VMP"): A Supply Side Platform ("SSP") that offers publishers numerous forms of monetization both visually (images and video) and within or surrounding content.
- IntentKey: A consumer intent recognition system designed to reach highly targeted mobile and desktop In-Market audiences with precision.
- Audience Delivery Solutions: Inuvo's audience delivery solution is a campaign management and optimization service for advertisers that uses the IntentKey and our proprietary Demand Side Platform ("DSP").
- MYAP: A proprietary online affiliate management solution that provides advertisers with the ability to sign up, manage and track the activities of publishers through a privately-branded platform with full data transparency. Typically, each MYAP customer is supported by a customized software implementation.

Key Relationships

We maintain long-standing relationships with Yahoo! and Google that provide access to hundreds of thousands of advertisers from which most of our ValidClick and Digital Publishing revenue originates. When an advertisement is clicked, we effectively sell that click to these partners who then sell it to the advertisers. We maintain multi-year service contracts with both companies. The Yahoo! Agreement continues through May 31, 2018 and the Google agreement through February 28, 2019. We also have a contract with OpenX that provides access to thousands of advertisers from which a large part of our VMP and Audience Delivery Solution revenue originates. Typically, an advertiser from the OpenX network pays when an advertisement we serve is viewed. In 2017, these three customers accounted for 86.5% of our total revenue.

In addition to our key customer relationships, we maintain important distribution relationships with owners and publishers of websites and mobile applications. Through our relationship with Yahoo! we provide these partners with advertisements through which they monetize their websites and mobile applications. We continuously monitor our partners' traffic with a variety of proprietary and patent protected software tools that can determine the quality of the traffic that is viewing and clicking on served advertisements.

Strategy

Our business strategy has been to develop technologies that displace intermediaries while cultivating relationships that provide access to media spend and media inventory. In this regard, we have proprietary demand and supply side technologies, consumer targeting technologies, on-page or in-app ad-unit technologies, unique data, and advertising fraud detection technologies. We have both direct and indirect relationships at some of the largest media buyers and/or consolidators in the industry. For our core business, this strategy implies a more direct line of site to advertisers and consumers.

Our competitive position requires a strategy that allows us to provide the absolute best solutions to publishers for monetization of their content. To accelerate the time to market for technology that accomplishes this goal and to gain competitive reconnaissance, we have developed a set of owned and operated digital properties. These websites provide the means to test advertising technology in a controlled environment which in turn reduces the time to market for the introduction of those technologies. The strategy has the added benefit of providing a high quality directly controlled source of advertising inventory which can be adapted to meet demand and supply changes in near real time.

Our industry is currently in a consolidation phase. Our business strategy aligns with this trend as it is by design an end-to-end complete approach to the value chain. We evaluate acquisition candidates as opportunities arise that have either advertisers or advertising relationships we do not possess or publishers or publishing partners with whom we do not currently have a relationship.

Our device strategy is to become screen agnostic. We will continue to develop technologies that allow us to distribute ads across any medium.

Sales and Marketing

We drive general awareness of our brands through various marketing channels including our websites, social media, blogs, public relations, trade shows, conferences and similar means. Sales and Marketing for our products differs based on whether they are demand or supply facing.

The demand side of our business includes sales executives who create demand from agencies, trading desks and brands directly. Leveraging our IntentKey technology to highlight our differentiation, our sales executives explain how we identify the most relevant content and audiences, allowing us to target these consumers when they are most prone to engage / respond / subscribe / tune-in and watch. Our product organization fulfills the business development initiatives that cement profitable relationships with programmatic demand partners, who are incorporated into our stack to drive monetization for our publishing partners.

The supply side of our business includes sales executives who sell to publishers directly. Creating differentiation, they explain our unique ability to create incremental revenue streams for publishers through our custom placements and unique approach to maximizing yield while preserving user experience.

Both demand and supply relationships require account management/campaign management, plus operations teams, who ensure that publisher implementations are successful, advertising campaigns deliver anticipated results and clients' expectations are exceeded.

Competition

We face significant competition in our industry. Competitors continue to increase their suite of offerings across marketing channels to better compete for total advertising dollars.

A significant number of competitors have greater name recognition and are better capitalized than we are. Our ability to remain competitive in our market segment depends upon our ability to be innovative and to efficiently provide unique solutions to our demand and supply customers. There are no assurances we will be able to remain competitive in our markets in the future.

Technology Platforms

Our proprietary applications are constructed from established, readily available technologies. Some of the basic elements our products are built on are components from leading software and hardware providers such as Oracle, Microsoft, Sun, Dell, EMC, and Cisco, while some components are constructed from leading open source software projects such as Apache Web Server, MySQL, Java, Perl, Java and Linux. By seeking to strike the proper balance between using commercially available software and open source software, our technology expenditures are directed toward maintaining our technology platforms while minimizing third-party technology supplier costs.

We strive to build high-performance, availability and reliability into our product offerings. We safeguard against the potential for service interruptions at our third-party technology vendors by engineering controls into our critical components. We deliver our hosted solutions from facilities, geographically disbursed throughout the United States and maintain ready, on-demand services through third-party cloud providers Microsoft Azure and Amazon Web Services to enhance our business continuity. Our applications are monitored 24 hours a day, 365 days a year by specialized monitoring systems that aggregate alarms to a human-staffed network operations center. If a problem occurs, appropriate engineers are notified, and corrective action is taken.

Intellectual Property Rights

We own intellectual property (IP) and related IP rights that relate to our products, services and assets. Our IP portfolio includes patents, trade secrets and trademarks. We actively seek to protect our IP rights and to deter unauthorized use of our IP and other assets. While our IP rights are important to our success, our business as a whole is not significantly dependent on any single patent, trademark, or other IP right.

Our trademarks include the U.S. Federal Registration for our consumer facing brand ALOT® in the United States. Our patents include fifteen patents issued by the United States Patent and Trademark Office ("USPTO") and eight pending patent applications.

To distinguish our products and services from our competitors' products, we have obtained trademarks and trade names for our products. We also protect details about our processes, products, and strategies as trade secrets, keeping confidential the information that we believe provides us with a competitive advantage.

Employees

As of January 31, 2018, we had 80 full-time employees, none of which are covered by a collective bargaining agreement.

Seasonality

Our future results of operations may be subject to fluctuation because of seasonality. Historically, in the later part of the fourth quarter and the earlier part of the first quarter we experience lower revenue due to a decline in demand for inventory on websites and apps and the recalibrating of advertiser's marketing budgets after the holiday selling season. If we are not able to appropriately adjust to seasonal or other factors, it could have a material adverse effect on our financial results.

History

We were incorporated under the laws of the state of Nevada in October 1987 and operated within the oil and gas industry. This endeavor was not profitable, and from 1993 to 1997 we had essentially no operations. In 1997 we reorganized and through 2006 we acquired a number of companies involved in advertising and internet marketing. In 2009, following the weakness in the economy, a new team was called in to assess the array of businesses that had been acquired in the preceding years and as a result between 2009 and 2011, we sold or retired eleven businesses.

In March 2012, as part of a long-term strategy, we acquired Vertro, Inc. ("Vertro"), which owns and operates the ALOT product portfolio. This acquisition included the ALOT brand, as well as a long-standing relationship with Google. In 2013, with a grant funded by the State of Arkansas, we moved the headquarters to Arkansas where we have remained.

In February 2017, we entered into an Asset Purchase Agreement with NetSeer, Inc. ("NetSeer") which allowed us to advance our technology strategy while increasing both the number of advertisers and publishers within the Inuvo Exchange. We exchanged 3,529,000 shares of Inuvo common stock and assumed approximately $6.8 million of specified liabilities in this business combination (See Note 15).

More Information

Our web site address is www.inuvo.com. We file with, or furnish to, the Securities and Exchange Commission (the "SEC") annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K, and amendments to those reports, as well as various other information. This information can be found on the SEC website at www.sec.gov. In addition, we make available free of charge through the Investor Relations page of our web site our annual reports, quarterly reports, and current reports, and all amendments to any of those reports, as soon as reasonably practicable after providing such reports to the SEC.

ITEM 1A. RISK FACTORS.

An investment in our common stock involves a significant degree of risk. You should not invest in our common stock unless you can afford to lose your entire investment. You should consider carefully the following risk factors and other information in this report before deciding to invest in our common stock. If any of the following risks and uncertainties develops into actual events, our business, financial condition or results of operations could be materially adversely affected and you could lose your entire investment in our company.

We rely on three customers for a significant portion of our revenues. We are reliant upon Yahoo!, Google and OpenX for most of our revenue. During 2017 they accounted for 66.7%, 10.4% and 9.4% of our revenues, respectively, and in 2016 accounted for 68.6%, 29.7% and 0% of our revenues. The amount of revenue we receive from these customers is dependent on a number of factors outside of our control, including the amount they charge for advertisements, the depth of advertisements available from them, and their ability to display relevant ads in response to our end-user queries.

We would likely experience a significant decline in revenue and our business operations could be significantly harmed if (i) these customers do not approve our new websites, publishers and / or applications, (ii) if we or our publishers violate their guidelines or they change their guidelines, or (iii) if our contracts with these customers are terminated or expire without being renewed. In addition, if any of these preceding circumstances were to occur, we may not be able to find a suitable alternate paid search results provider or otherwise replace the lost revenues. Our contracts with each of these customers contain broad termination provisions and our Yahoo! contract expires in May 2018, our Google contract expires in February 2019 and our OpenX contract is terminable on twenty-four hours notice. The loss of any of these customers or a material change in the revenue or gross profit they generate would have a material adverse impact on our business, results of operations and financial condition in future periods.

We are dependent upon relationships with and the success of our supply partners. Our supply partners are very important to our success. We must recruit and maintain partners who are able to drive traffic successfully to their websites and mobile applications, resulting in clicks on advertisements we have delivered. These partners may experience difficulty in attracting and maintaining users for a number of reasons, including competition, rapidly changing markets and technology, industry consolidation and changing consumer preferences. Further, we may not be able to further develop and maintain relationships with distribution partners. They may be able to make their own deals directly with advertisers, may view us as competitors or may find our competitors offerings more desirable. Any of these potential events could have a material adverse effect on our business, financial position and results of operations.

The success of our owned sites is dependent on our ability to acquire traffic in a profitable manner. Our ALOT-branded websites are dependent on our ability to attract traffic in a profitable manner. We use a predictive model to calculate the rate of return for marketing campaigns, which includes estimates and assumptions. If these estimates and assumptions are not accurate, we may not be able to effectively manage our marketing decisions and could acquire traffic in an unprofitable manner. In addition, we may not be able to maintain and grow our traffic for a number of reasons, including, but not limited to, acceptance of our websites by consumers, the availability of advertising to promote our websites, competition, and sufficiency of capital to purchase advertising. We advertise on search engine websites to drive traffic to our owned and operated websites. Our keyword advertising is done primarily with Google and Facebook, but also with Yahoo! and Bing. If we are unable to maintain and grow traffic to our sites in a profitable manner, it could have a material adverse effect on our business, financial condition, and results of operations.

Failure to comply with the covenants and restrictions in our credit facility could impact our ability to access capital as

needed. We have a credit facility with Western Alliance Bank ("Western Alliance Bank"), the parent company of Bridge Bank, N.A. our original lender, under which we had $4.9 million in debt outstanding as of December 31, 2017. The credit facility matures in September 2018 and while we believe we will be able to renew with substantially similar terms and conditions, there are no assurances that we will be able to renew. In that event, our liquidity in future periods would be materially adversely impacted. In addition, the credit facility contains a number of covenants that requires us to, among other things:

- pay fees to the lender associated with the credit facility;
- meet prescribed financial covenants;
- maintain our corporate existence in good standing;
- grant the lender a security interest in our assets;
- provide financial information to the lender; and
- refrain from any transfer of any of our business or property, subject to customary exceptions.

We have historically had difficulties meeting the financial covenants set forth in our credit agreement. Our lender has given us waivers in the past and reset our financial covenants several times. In the event of a breach of our covenants we cannot provide any assurance that our lender would provide a waiver or reset our covenants. A breach in our covenants could result in a default under the credit facility, and in such event Western Alliance Bank could elect to declare all borrowings outstanding, if any, to be due and payable. If this occurs and we have outstanding obligations and are not able to repay, Western Alliance Bank could require us to apply all of our available cash to repay the debt amounts and could then proceed against the underlying collateral. Should this occur, we cannot assure you that our assets would be sufficient to repay our debt in full, we would be able to borrow sufficient funds to refinance the debt, or that we would be able to obtain a waiver to cure any such default. In such an event, our ability to conduct our business as it is currently conducted would be in jeopardy.

Our business must keep pace with rapid technological change to remain competitive. Our business operates in a market characterized by rapidly changing technology, evolving industry standards, frequent new product and service announcements, enhancements, and changing customer demands. We must adapt to rapidly changing technologies and industry standards and continually improve the speed, performance, features, ease of use and reliability of our services. This includes making our products and services compatible and maintaining compatibility with multiple operating systems, desktop and mobile devices, and evolving network infrastructure. If we fail to do this, our results of operations and financial position could be adversely affected.

Our quarterly operating results can be difficult to predict and can fluctuate substantially, which could result in volatility in the price of our common stock. Our quarterly revenues and other operating results have varied in the past and are likely to continue to vary significantly from quarter to quarter. Our agreements with distribution partners and key customers do not require minimum levels of usage or payments, and our revenues therefore fluctuate based on the actual usage of our service each quarter by existing and new distribution partners. Quarterly fluctuations in our operating results also might be due to numerous other factors, including:

- our ability to attract new distribution partners, including the length of our sales cycles, or to sell increased usage of our service to existing distribution partners;
- technical difficulties or interruptions in our services;
- changes in privacy protection and other governmental regulations applicable to our industry;
- changes in our pricing policies or the pricing policies of our competitors;
- the financial condition and business success of our distribution partners;
- purchasing and budgeting cycles of our distribution partners;
- acquisitions of businesses and products by us or our competitors;
- competition, including entry into the market by new competitors or new offerings by existing competitors;
- discounts offered to advertisers by upstream advertising networks;
- our history of litigation;
- our ability to hire, train and retain sufficient sales, client management and other personnel;
- timing of development, introduction and market acceptance of new services or service enhancements by us or our competitors;
- concentration of marketing expenses for activities such as trade shows and advertising campaigns;
- expenses related to any new or expanded data centers; and
- general economic and financial market conditions.

Our services may be interrupted if we experience problems with our network infrastructure. The performance of our network infrastructure is critical to our business and reputation. Because our services are delivered solely through the internet, our network infrastructure could be disrupted by a number of factors, including, but not limited to:

- unexpected increases in usage of our services;
- computer viruses and other security issues;
- interruption or other loss of connectivity provided by third-party internet service providers;
- natural disasters or other catastrophic events; and
- server failures or other hardware problems.

While we have data centers in multiple, geographically dispersed locations and active back-up and disaster recovery plans, we cannot assure you that serious interruptions will not occur in the future. If our services were to be interrupted, it could cause loss of users, customers and business partners, which could have a material adverse effect on our results of operations and financial position.

We depend on key personnel, the loss of whom could harm our business. Our success depends in part on the retention of personnel critical to our business operations. Loss of key personnel may result in disruption of operations, loss of key business relationships or expertise, additional recruiting and training costs, and diminished anticipated benefits of acquisitions. Our future success is substantially dependent on the continued service of our key senior management. We have experienced difficulty from time to time in attracting or retaining the personnel necessary to support the growth of our business, and we may experience similar difficulties in the future.

Regulatory and legal uncertainties could harm our business. While there are currently relatively few laws or regulations directly applicable to internet-based commerce or commercial search activity, there is increasing awareness of such activity and interest from state and federal lawmakers in regulating these services. New regulation of activities in which we are involved or the extension of existing laws and regulations to internet-based services could have a material adverse effect on our business, results of operations and financial position.

Failure to comply with federal, state and international privacy and data security laws and regulations, or the expansion of current or the enactment of new privacy and data security laws or regulations, could adversely affect our business. A variety of federal, state and international laws and regulations govern the collection, use, retention, sharing and security of consumer data. In addition, various federal, state and foreign legislative and regulatory bodies may expand current or enact new laws regarding privacy matters. For example, recently there have been Congressional hearings and increased attention to the capture and use of location-based information relating to users of smartphones and other mobile devices, and internationally the European Union’s new General Data Protection Regulation (GDPR) goes into effect in May 2018. We have posted privacy policies and practices concerning the collection, use and disclosure of subscriber data on our websites and applications. The existing and soon to be enacted privacy and data security related laws and regulations are evolving and subject to potentially differing interpretations. Several Internet companies have incurred penalties for failing to abide by the representations made in their privacy policies and practices. In addition, several states have adopted legislation that requires businesses to implement and maintain reasonable security procedures and practices to protect sensitive personal information and to provide notice to consumers in the event of a security breach. Any failure, or perceived failure, by us to comply with our posted privacy policies or with any data-related consent orders, FTC requirements or orders or other federal, state or international privacy or consumer protection-related laws, including the GDPR, regulations or industry self-regulatory principles could result in claims, proceedings or actions against us by governmental entities or others or other liabilities, which could adversely affect our business.

We may face third party intellectual property infringement claims that could be costly to defend and result in the loss of significant rights. From time to time third parties have asserted infringement claims against us including copyright, trademark and patent infringement, among other things. While we believe that we have defenses to these types of claims under appropriate trademark laws, we may not prevail in our defenses to any intellectual property infringement claims. In addition, we may not be adequately insured for any judgments awarded in connection with any litigation. Any such claims and resulting litigation could subject us to significant liability for damages or result in the invalidation of our proprietary rights, which would have a material adverse effect on our business, financial condition, and results of operations. Even if we were to prevail, these claims could be time-consuming, expensive to defend, and could result in the diversion of management's time and attention.

We are subject to risks from publishers who could fabricate clicks either manually or technologically. Our business involves the establishment of relationships with website owners and publishers. In exchange for their consumer traffic, we provide an advertising placement service and share a portion of the revenue we collect with that website publisher. Although we have click fraud detection software in place, we cannot guarantee that we will identify all fraudulent clicks or be able to recover funds distributed for fabricated clicks. This risk could materially impact our ability to borrow, our cash flow and the stability of our business.

Our business is seasonal and our financial results may vary significantly from period to period. Our future results of operations may vary significantly from quarter to quarter and year to year because of numerous factors, including seasonality. Historically, in the later part of the fourth quarter and the earlier part of the first quarter we experience lower Revenue Per Click ("RPC") due to a decline in demand for inventory on website and app space and the recalibrating of advertiser's marketing budgets after the holiday selling season. If we are not able to appropriately adjust to seasonal or other factors, it could have a material adverse effect on our financial results.

A downturn or uncertainty in global economic conditions may have a significant negative effect on our access to credit and our ability to raise capital and may impact our business, operating results or financial condition. A future downturn or uncertainty in global economic conditions, may result in significant reductions in, and heightened credit quality standards for, available capital and liquidity from banks and other providers of credit and substantial reductions and/or fluctuations in equity and currency values worldwide, which may make it difficult for us to raise additional capital or obtain additional credit, when needed, on acceptable terms or at all. Moreover, deteriorated economic conditions, or the threat of a prolonged recessionary period, may cause disruptions and volatility in global financial markets, increased rates of default and bankruptcy and have a negative impact on the levels of consumer spending. These macroeconomic developments could negatively affect our business, operating results or financial condition in a number of ways. For example, current or potential customers, such as advertisers, may delay or decrease spending with us or may not pay us or may delay paying us for previously performed services. In addition, if consumer spending decreases, this may result in fewer clicks on our advertisers' ads displayed on our or our partner websites.

Failure to comply with the covenants and restrictions in our grant agreement with the State of Arkansas could result in the repayment of a portion of the grant, which we may not be able to repay or finance on favorable terms. In January 2013, we entered into an agreement with the State of Arkansas whereby we were granted $1,750,000 for the relocation of the Company to Arkansas and for the purchase of equipment. The grant was contingent upon us having at least 50 full-time equivalent permanent positions within four years, maintaining at least 50 full-time equivalent permanent positions for the following six years and paying those positions an average total compensation of $90,000 per year. As of December 31, 2017, the grant required we have 50 employees located in Arkansas and on December 31, 2017 we had 50 employees located in Arkansas.
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. Should this occur, we cannot assure you that our assets would be sufficient to repay our grant in full, we would be able to borrow sufficient funds to refinance the grant, or that we would be able to obtain a waiver to cure any such default. In such an event, our ability to conduct our business as it is currently conducted would be in jeopardy.

Significant dilution will occur if outstanding warrants and options are exercised or restricted stock unit grants vest. As of December 31, 2017, we had stock options outstanding to purchase a total of 264,246 shares with exercise prices ranging from $0.56 to $3.70 per share, with a weighted average exercise price of $2.84. We also had 1,071,538 restricted stock units outstanding. If outstanding stock options are exercised or restricted stock units vest, dilution will occur to our stockholders, which may be significant. See Note 2 to the Consolidated Financial Statements for more details.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable to a smaller reporting company.

ITEM 2. PROPERTIES.

Our corporate headquarters are located in Little Rock, Arkansas where we entered into a five-year agreement to lease office space on October 1, 2015. The lease is for 12,245 square feet. We also have office space in San Jose, CA where in June 2017, we entered into a five-year agreement to lease 4,801 square feet of office space.

In addition to our office space, we maintain data center operations in third-party collocation facilities in Little Rock, AR and San Jose, CA.

ITEM 3. LEGAL PROCEEDINGS.

None

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Our common stock is listed on the NYSE American under the symbol "INUV." The following table sets forth the reported high and low prices for our common stock for the following periods.

	High	Low
Year Ended December 31, 2017:		
First Quarter	$ 1.74	$ 1.21
Second Quarter	$ 1.39	$ 0.96
Third Quarter	$ 1.24	$ 0.88
Fourth Quarter	$ 1.12	$ 0.70
Year Ended December 31, 2016		
First Quarter	$ 2.77	$ 1.67
Second Quarter	$ 2.13	$ 1.33
Third Quarter	$ 1.78	$ 1.05
Fourth Quarter	$ 2.31	$ 1.00

As of February 2, 2018, the last reported sale price of the common stock on NYSE American was $0.83 and there were approximately 408 stockholders of record of our common stock.

Dividends

We have not declared or paid cash dividends on our common stock since our inception. Under Nevada law, we are prohibited from paying dividends if the distribution would result in our company not being able to pay its debts as they become due in the normal course of business if our total assets would be less than the sum of our total liabilities plus the amount that would be needed to pay the dividends, or if we were to be dissolved at the time of distribution to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution. Our board of directors has complete discretion on whether to pay dividends subject to compliance with applicable Nevada law. Even if our board of directors decides to pay dividends, the form, the frequency, and the amount will depend upon our future operations and earnings, capital requirements and surplus, general financial condition, contractual restrictions and other factors that the board of directors may deem relevant. While our board of directors will make any future decisions regarding dividends, as circumstances surrounding us change, it currently does not anticipate that we will pay any cash dividends in the foreseeable future.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers(1)

The following tabular summary reflects the Company's share repurchase activity during the year ended December 31, 2017. All shares were purchased under the Company's share repurchase program, which was announced on December 9, 2016 and authorizes the repurchase of the Company's common stock totaling $500,000. Under the authorization, the Company may purchase shares from time to time in the open market or in privately negotiated transactions in compliance with the applicable rules and regulations of the SEC. However, the timing and amount of such purchases, if any, would be at the discretion of management and would depend upon market conditions and other considerations. The repurchase plan terminated on November 30, 2017.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
January 1 - December 31	45,900	$ 0.98	45,900	$ —
Total	45,900		45,900	—

Recent Sales of Unregistered Securities

None.

ITEM 6. SELECTED FINANCIAL DATA.

Not applicable to a smaller reporting company.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Company Overview

We develop technology that connects advertisers with consumers through interactions with content across devices. The Inuvo Exchange provides the means to interact with tens of thousands of advertisers (Demand) and tens of thousands of online publishers (Supply). We interact with Demand/Supply constituents directly and indirectly. We serve ads within content, video and slideshows. We target ads to consumers using our proprietary IntentKey, a form of artificial intelligence ("AI") that uses the Internet as a source of information. The result of the AI includes a database of over 500 million machine profiles, of which over 100 million are updated each week. We use this AI as the means to develop and deliver online audiences to our advertisers. We earn revenue when consumers view and/or click on our ads. We touch 80% of all US households weekly. Our business scales as we add Demand and Supply relationships with many barriers to entry including the ability to process hundreds of thousands of transactions per second. Collectively, our technology platforms facilitate the buying and selling of media in a manner that positions Inuvo as an advertising exchange.

Our intellectual property is protected by fifteen issued and eight pending patents. We count among our many contractual relationships, three clients who collectively manage over 50% of all US digital advertising budgets. Included within our Supply portfolio is a collection of owned websites such as alot.com and earnspendlive.com, where we create content in health, finance, travel, careers, auto, education and living categories. These sites provide the means to test ad-tech, while also delivering high quality consumers to advertisers through interaction with proprietary content in the form of images, videos, slideshows and the written word.

2017 Overview

2017 was a strong year for Inuvo, Inc. Leading into 2017, we laid the foundation for a transformational acquisition that would fuel continued growth in revenue and margin while opening opportunities to leverage a new set of machine learning technologies (the Intent Key) with applicability throughout our business and markets. During 2017, we:

- Grew revenue by 11% and gross profits, net of traffic acquisition costs ("TAC"), by 30%.
- Acquired the assets of NetSeer Inc. growing revenue in that business from $0.8 million in the month of February 2017 to $1.9 million in December 2017.
- Opened a new development and support office in San Jose, CA.

- Entered partnerships with Microsoft Bing and OpenX.
- Hired a Chief Revenue Officer who built a Media and Publisher Sales and Account Management organization.
- Began developing relationships in China that could result in media spend in the USA.
- Continued the migration to mobile, going from 52.4% mobile in 2016 to 62.1% in 2017.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities and the reported amounts of revenue and expenses during the reported periods. The more critical accounting estimates include estimates related to revenue recognition and accounts receivable allowances. We also have other key accounting policies, which involve the use of estimates, judgments and assumptions that are significant to understanding our results, which are described in Note 2 to our audited financial statements for 2017 and 2016 appearing elsewhere in this report.

Results of Operations

	For the Years Ended December 31,			
	2017	2016	Change	% Change
Net Revenue	$ 79,554,493	$ 71,530,102	$ 8,024,391	11.2%
Cost of Revenue	36,669,543	21,364,795	15,304,748	71.6%
Gross Profit	$ 42,884,950	$ 50,165,307	(7,280,357)	(14.5%)
Marketing Cost (TAC)	$ 28,578,401	$ 39,195,653	(10,617,252)	(27.1%)
Gross Profit adjusted for Marketing Cost (TAC)	$ 14,306,549	$ 10,969,654	3,336,895	30.4%

Net revenue

Net revenue for the year ended December 31, 2017 was $79.6 million compared to $71.5 million for the year ended December 31, 2016. The increase was primarily due to growth in the business acquired in February 2017. Revenue from the acquired business line grew from $0.8 million in its first month of operations, February 2017 to $1.9 million in December 2017. We expect the new business line to continue to fuel Company growth into the future. Revenue from our ValidClick business, serving advertisements to publisher partners, increased 25% in 2017 compared to 2016. Revenue from our Digital Publishing business declined as we redirected resources and investment to the acquired business which has higher gross margins. The fourth quarter is traditionally the highest revenue quarter of the year. In 2017, the fourth quarter revenue was $23.8 million, 21% greater than the same quarter in 2016. The higher revenue in this year's fourth quarter is attributable primarily to the new business line.

Cost of Revenue

Cost of revenue is primarily generated by payments to website and application publishers who host our advertisements. The increase in cost of revenue in 2017 compared to 2016 is due to with the higher revenue from the acquired business and ValidClick.

Operating Expenses

	For the Year Ended December 31,			
	2017	2016	Change	% Change
Marketing costs (TAC)	$ 28,578,401	$ 39,195,653	$ (10,617,252)	(27.1%)
Compensation	10,200,117	6,830,338	3,369,779	49.3%
Selling, general and administrative	8,342,906	4,996,482	3,346,424	67.0%
Operating expenses	$ 47,121,424	$ 51,022,473	$ (3,901,049)	(7.6%)

Operating expenses decreased in the twelve months ended December 31, 2017 as compared to the same period of the prior year.

Marketing costs or TAC include those expenses required to attract traffic to our owned web properties. The decrease in marketing costs in the twelve months ended December 31, 2017 was a strategy initiated at the beginning of 2017 in anticipation of the acquisition in February 2017. This strategy was designed to focus resources and investment towards a higher growth and gross margin (after TAC) business at the expense of growth in another business line at lower gross margin.

Compensation expense increased 49.3% in the twelve months ended December 31, 2017 due primarily to an increase in the number of employees. The higher headcount is primarily due to the additional employees from the February 2017 acquisition. Our total employment, both full-time and part-time, was 89 at December 31, 2017 compared to 72 at the same time last year. We expect compensation expense to increase, though moderately, in the coming quarters as we hire additional developers and sales personnel to support the anticipated growth.

Selling, general and administrative costs were $8.3 million, an increase of 67.0% over 2016. The primary reasons for the higher cost in the twelve months ended December 31, 2017 compared to the same period last year is due to the acquisition in February 2017. Among the higher 2017 expenses compared to 2016 were IT costs approximately $1.3 million higher; amortization and depreciation expense approximately $852,000 higher; facilities cost approximately $290,000 higher and travel and entertainment costs approximately $255,000 higher. We expect selling, general and administrative costs to decrease in 2018.

Interest Expense, net

Interest expense, net, which represents interest expense on the bank credit facility, was higher in 2017 compared to the same periods in 2016 because of a higher average outstanding revolving credit line balance and higher interest rates this year compared to last year.

Income tax benefit

In 2017, we recognized an income tax benefit of $1,498,076 due to the passing of the Tax Cuts and Jobs Act in December 2017. The new law reduced corporate income tax rates from 35% to 21%. As a result, the deferred tax assets and liabilities recorded in the consolidated balance sheet were reevaluated at the new tax rates. Both the deferred tax assets and the deferred tax liabilities were reduced. The decrease in the deferred tax liability resulted in the one-time tax benefit.

In 2016, we recognized an income tax benefit of $29,260.

Income (loss) from Discontinued Operations

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

In the third quarter of 2016, our petition with the UK (United Kingdom) Companies House to strike off and dissolve the remaining subsidiary in the EU was approved. As a result, for the twelve months ended December 31, 2017, we recognized a net loss from discontinued operations of $1,109 due to a charge from a service provider. As of December 31, 2016, we recorded a net income of $155,287 due primarily to the adjustment of certain accrued liabilities. No further charges or adjustments are expected.

Liquidity and Capital Resources

On March 27, 2017, we amended our Business Financing Agreement with Western Alliance Bank ("Western Alliance Bank"), the parent company of Bridge Bank, N.A., our original lender (see Note 6, "Revolving credit line"). The renewal provided continued access to the revolving line of credit up to $10 million through September 2018, included the collateral acquired in the NetSeer asset acquisition and modified certain financial covenants. On July 31, 2017, we entered into the Ninth Business Financing Modification Agreement with Western Alliance Bank. The amendment changed certain financial ratios, definitions, the advance rate, the finance charge and the non-formula availability. As of December 31, 2017, the balance of the revolving line of credit was $4.9 million and had approximately $3.7 million in availability. The credit facility matures in September 2018.

During September 2017, 45,900 shares of our common stock were repurchased in the open market at an average price of $.98 per shares under the Company's current share repurchase program and were subsequently retired, which was announced on December 9, 2016. The program authorized the repurchase of the Company's common stock totaling $500,000. The program terminated on November 30, 2017.

During the third quarter of 2017, we filed an S-3 registration statement with the Securities and Exchange Commission ("SEC") to replace an existing, expiring S-3 "shelf" registration statement, which permits us to offer and sell up to $15 million of our securities from time to time in one or more offerings. To date, we have not taken down any sales from this shelf registration statement. Though we believe the revolving line of credit and its expected renewal, as well as cash generated by operations, will provide sufficient cash for operations over the next twelve months, we may still elect to sell securities to the public or to selected investors, or borrow under the current or any replacement line of credit or other debt instruments in order to fund the development of our technologies, make acquisitions, pursue new business opportunities or grow existing businesses.

Cash Flows - Operating

Net cash used in operating activities was $1,148,281 during 2017. We reported a net loss of $3,057,700, which included a deferred income tax benefit of $1,406,600 due to the recent change in tax legislation. Additional non-cash expenses included were depreciation and amortization of $3,029,801 and stock-based compensation of $1,279,807. The change in operating assets and liabilities was a net use of cash of $1,396,224 primarily due to a change in the accounts payable balance by $437,241 and the accounts receivable balance by $1,216,611 largely due to the working capital needs of the business acquired in February 2017. Our terms are such that we generally collect receivables prior to paying trade payables. Media sales, which are part of the acquired business, typically have slower payment terms than the terms of related payables. We expect to grow the media sales business and therefore, expect to have a greater need for working capital funding. We believe the revolving line of credit and its expected renewal will be adequate to fund working capital needs for the next twelve months.

During 2016, cash provided by operating activities was $1,053,019. We reported a net loss of $772,584, which included the non-cash expenses of depreciation and amortization of $2,209,738 and stock-based compensation expenses of $1,264,266. The change in operating assets and liabilities was a net use of cash of $1,441,713.

Cash Flows - Investing

Net cash used in investing activities was $1,322,930 and $1,116,371 for 2017 and 2016, respectively. Cash used in investing activities in both years has primarily consisted of capitalized internal development costs.

Cash Flows - Financing

Net cash provided by financing activities was $2,609,093 during 2017 which largely consisted of proceeds from the revolving credit facility used to pay off the debt acquired in the NetSeer asset acquisition.

During 2016, net cash used in financing activities was $247,048.

Off Balance Sheet Arrangements

As of December 31, 2017, 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 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable to a smaller reporting company.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated financial statements begin on page F-1 at the end of this annual report.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.

None.

ITEM 9A. CONTROLS AND PROCEDURES.

Evaluation of Disclosure Controls and Procedures

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

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

As required by Rule 13a-15 under the Securities Exchange Act of 1934, as of December 31, 2017, the end of the period covered by this report, our management concluded their evaluation of the effectiveness of the design and operation of our disclosure controls and procedures. As of the evaluation date, our Chief Executive Officer and Chief Financial Officer concluded that we maintain disclosure controls and procedures that are effective in providing reasonable assurance that information required to be disclosed in our reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods prescribed by SEC rules and regulations, and that such information is accumulated and communicated to our management to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Securities Exchange Act of 1934 Rule 13a-15(f). Our internal control over financial reporting is designed 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. Our internal control over financial reporting includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of the inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2017. In making this assessment, our management used the criteria set forth by the Committee of Sponsoring Organizations of the 2013 Treadway Commission ("COSO") in *Internal Control-Integrated Framework*. Based upon this assessment, our management concluded that as of December 31, 2017 our internal control over financial reporting was effective.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in connection with our evaluation that occurred during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

None

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The information required by this Item will be contained in our proxy statement for our 2018 Annual Meeting of Shareholders to be filed on or prior to April 30, 2018 (the "Proxy Statement") and is incorporated herein by this reference or is included in Part I under "Executive Officers of the Company."

ITEM 11. EXECUTIVE COMPENSATION.

The information required by this item will be contained in our Proxy Statement and is incorporated herein by this reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

The information required by this item will be contained in our Proxy Statement and is incorporated herein by this reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The information required by this item will be contained in our Proxy Statement and is incorporated herein by this reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The information required by this item will be contained in our Proxy Statement and is incorporated herein by this reference.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES.

1. Financial Statements

The consolidated financial statements and Report of Independent Registered Accounting Firm are listed in the "Index to Financial Statements and Schedules" beginning on page F-1 and included on pages F-2 through F-21.

2. Financial Statement Schedules

All schedules for which provision is made in the applicable accounting regulations of the SEC are either not required under the related instructions, are not applicable (and therefore have been omitted), or the required disclosures are contained in the consolidated financial statements herein.

3. Exhibits (including those incorporated by reference).

Exhibit No.	Description of Exhibit
2.1	Agreement and Plan of Merger dated June 5, 2009 between Inuvo, Inc. and Kowabunga! Inc. (Incorporated by reference and filed as an exhibit to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 24, 2009.)
2.2	Agreement and Plan of Merger dated October 16, 2011 between Inuvo, Inc., Anhinga Merger Subsidiary, Inc. and Vertro, Inc. (Incorporated by reference to the Registrant's Current Report on Form 8-K as fled on October 17, 2011.)
3(i).1	Articles of Incorporation, as amended)Incorporated by reference and filed as an exhibit to the Registrant's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission on March 1, 2004.)
3(i).2	Amended to Articles of Incorporation filed March 14, 2005 (Incorporated by reference and filed as an exhibit to the Registrant's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission on March 31, 2006.)
3(i).3	Articles of Merger between Inuvo, Inc. and Kowabunga! Inc. (Incorporated by reference and filed as an exhibit to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on July 24, 2009.)
3(i).4	Certificate of Change Filed Pursuant to NRS 78.209 (Incorporated by reference to the Registrant's Current Report on Form 8-K as filed on September 30, 2010.)
3(i).5	Certificate of Merger as filed with the Secretary of State of Nevada on February 29, 2012 (Incorporated by reference to the Registrant's Annual Report on Form 10-K as filed on March 29, 2012.)
3(i).6	Articles of Amendment to Amended Articles of Incorporation as filed on February 29, 2012 (Incorporated by reference to the Registrant's Annual Report on Form 10-K as filed on March 29, 2012.)
3(ii).1	Amended and Restated By-Laws (Incorporated by reference to the Registrant's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 31, 2010.)
3(ii).2	Bylaw amendment adopted February 29, 2012 (Incorporated by reference to the Registrant's Current Report on Form 8-K as filed on March 6, 2012.)
4.1	Form of warrant to purchase shares of Registrant for 2011 offering. (Incorporated by reference and filed as an exhibit to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on June 22, 2011.)
4.2	Form of warrant to purchase 40,000 shares of common stock issued to Alliance Advisors, LLC (Incorporated by reference to the Registrant's Annual Report on Form 10-K as filed on March 29, 2012.)
4.3	Form of warrant to purchase 10,000 shares of common stock issued to Alliance Advisors, LLC (Incorporated by reference to the Registrant's Annual Report on Form 10-K as filed on March 29, 2012.)
4.4	Form of warrant to purchase 51,724 shares pursuant to the Second Business Financing Modification Agreement with Bridge Bank, National Association, dated October 11, 2012. (Incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on November 8, 2012.)
10.1	2005 Long-Term Incentive Plan (Incorporated by reference to the Current Report on Form 8-K as filed on December 10, 2010.)
10.2	2015 Long Term Equity Incentive Program (Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q as filed on July 29, 2015.)

10.3	Lease dated February 29, 2000 by and between Alot, Inc. (formerly Comet Systems, Inc.) and The Rector, Church-Wardens and Vestrymen of Trinity Church in New York, a religious corporation in the State of New York, including the previous amendment dated August 8, 2000. (Incorporated by reference to the Registrant's Annual Report on Form 10-K as filed on March 29, 2012.)
10.4	Lease Modification and Extension Agreement by and between Alot, Inc.(formerly known as MIVA Direct, Inc.) and The Rector, Church-Wardens and Vestrymen of Trinity Church in New York, dated February 23, 2006. (Incorporated by reference to the Registrant's Annual Report on Form 10-K as filed on March 29, 2012.)
10.5	Consent to Sublease with Trinity Church effective April 12, 2013 regarding the Company's New York office. (Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q as filed on May 9, 2013).
10.6	Third Business Financing Modification Agreement, dated March 29, 2013, effective May 1, 2013, with Bridge Bank, National Association. (Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q as filed on May 9, 2013).
10.7	Lease with First Orion Corp. effective March 1, 2013 regarding the Company's Conway, AR office. (Incorporated by reference to the Registrant's Quarterly Report on Form 10-Q as filed on May 9, 2013).
10.8	Amendment No. 8 to Yahoo! Publisher Network Contract effective as of September 1, 2013, executed and delivered October 10, 2013. (Incorporated by reference to Registrant's Amendment No. 1 to Quarterly Report on Form 10-Q as filed on January 17, 2014).
10.9	2010 Equity Compensation Plan (Incorporated by reference to the Registrant's definitive proxy statement on Schedule 14A as filed on April 30, 2010.)
10.10	Lease Agreement, dated April 8, 2015, with Arkansas Democrat-Gazette, Inc. (Incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q as filed on April 29, 2015.)
10.11	First Business Financing Modification Agreement with Bridge Bank, National Association, dated June 29, 2012. (Incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on August 9, 2012.)
10.12	Employment Agreement dated March 1, 2012 between Inuvo, Inc. and Richard K. Howe (Incorporated by reference to the Registrant's Current Report on Form 8-K as filed on March 6, 2012.)
10.13	Second Business Financing Modification Agreement with Bridge Bank, National Association, dated October 11, 2012. (Incorporated by reference to Form 10-Q filed with the Securities and Exchange Commission on November 8, 2012.)
10.14	Employment Agreement dated March 1, 2012 between Inuvo, Inc. and Wallace D. Ruiz (Incorporated by reference to the Registrant's Current Report on Form 8-K as filed on March 6, 2012.)
10.15	Employment Agreement dated March 1, 2012 between Inuvo, Inc. and John B. Pisaris (Incorporated by reference to the Registrant's Current Report on Form 8-K as filed on March 6, 2012.)
10.16	Amendment dated February 29, 2012 to 2010 Equity Compensation Plan (Incorporated by reference to the Registrant's Current Report on Form 8-K as filed on March 6, 2012.)
10.17	Business Financing Agreement, dated March 1, 2012, with Bridge Bank, National Association (Incorporated by reference to the Registrant's Current Report on Form 8-K as filed on March 6, 2012.)
10.18	Intellectual Property Security Agreement, dated March 1, 2012, between Inuvo, Inc. and Bridge Bank, National Association (Incorporated by reference to the Registrant's Current Report on Form 8-K as filed on March 6, 2012.)
10.19	Intellectual Property Security Agreement, dated March 1, 2012, between subsidiaries and Bridge Bank, National Association (Incorporated by reference to the Registrant's Current Report on Form 8-K as filed on March 6, 2012.)
10.20	Release Agreement dated December 19, 2012 by and between Peter A. Corrao and Inuvo, Inc. (Incorporated by reference to Form 8-K filed with the Securities and Exchange Commission on December 19, 2012.)
10.21	Quick Action Closing Fund Grant Agreement, dated January 25, 2013, with the Arkansas Economic Development Commission. (Incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on March 13, 2013).
10.22	Grant Reimbursement Agreement, dated January 25, 2013, with the Arkansas Economic Development Commission. (Incorporated by reference to Form 10-K filed with the Securities and Exchange Commission on March 13, 2013).
10.23	Google Services Agreement, effective February 1, 2015, with Google, Inc. (Incorporated by reference to the Registrant’s Quarterly Report on Form 10-Q as filed on April 29, 2015.)
10.24	Amendment #11 to Yahoo! Publisher Network Contract, effective January 15, 2016, executed and delivered January 26, 2015.(Incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2015).

10.25	Yahoo! Publisher Network Contract, dated April 4, 2009, as amended. (Incorporated by reference to Amendment No. 1 to Form 10-Q filed with the Securities and Exchange Commission on December 28, 2012).
10.26	Fourth Business Financing Modification Agreement, dated March 6, 2014, with Bridge Bank, National Association. (Incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2013).
10.27	Fifth Business Financing Modification Agreement, dated September 29, 2014 with Bridge Bank N.A. (Incorporated by reference to the Quarterly Report on Form 10-Q for the period ended September 30, 2014).
10.28	Bridge Bank BFA Modification, dated October 9, 2014 (Incorporated by reference to the Quarterly Report on Form 10-Q for the period ended September 30, 2014).
10.29	Amendment #12 to Yahoo! Publisher Network Contract, effective March 2, 2016. (Incorporated by reference to Form 10-Q for the period ended March 31, 2016).
10.30	Sixth Business Financing Modification Agreement, dated September 27, 2016 with Bridge Bank N.A. (Incorporated by reference to the quarterly report on Form 10-Q for the period ended September 30, 2016).
10.31	Seventh Business Financing Modification Agreement, dated December 9, 2016 with Bridge Bank N.A. (Incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2016).
10.32	Google Services Agreement, dated February 28, 2017 (Incorporated by reference to the Annual Report on Form 10-K for the year ended December 31, 2016).
10.33	Eight Business Financing Modification Agreement dated March 27, 2017 by and among Western Alliance Bank, Inuvo, Inc., BabytoBee LLC, Kowabunga Marketing, Inc., Vertro, Inc. and Alot, Inc. (Incorporated by reference to the Quarterly Report on Form 10-Q for the period ended March 31, 2017).
10.34	Asset Purchase Agreement dated February 6, 2017 by and among Inuvo, Inc., NetSeer Acquisition, Inc. and NetSeer, Inc. (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed February 7, 2017).
10.35	Escrow Agreement dated February 6, 2017 by and among Inuvo, Inc., NetSeer Acquisition, Inc., NetSeer, Inc. and Pearlman Law Group LLP (Incorporated by reference to Exhibit 10.2 to the Current Report on Form 8-K filed February 7, 2017).
10.36	Registration Rights Agreement dated February 6, 2017 by and among Inuvo, Inc. and NetSeer, Inc. (Incorporated by reference to Exhibit 10.3 to the Current Report on Form 8-K filed February 7, 2017).
10.37	Google Services Agreement effective March 1, 2017 by and between Vertro, Inc. and Google Inc. (Incorporated by reference to Exhibit 10.27 to the Current Report on Form 8-K/A filed June 7, 2017)***
10.38	Lease Agreement, dated June 5, 2017, with KBSIII ALMADEN FINANCIAL PLAZA, LLC. (Incorporated by reference to the Quarterly Report on Form 10-Q for the period ended June 30, 2017).
10.39	Ninth Business Financing Modification Agreement, dated August 7, 2017, with Bridge Bank N.A. (Incorporated by reference to the Quarterly Report on Form 10-Q for the period ended June 30, 2017).
21.1	Subsidiaries of the Registrant (incorporated by reference to Form 10-K for the year ended December 31, 2016).*
23.1	Consent of Mayer Hoffman McCann P.C.*
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*
101.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

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

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Inuvo, Inc.

February 8, 2018	By:	/s/ Wallace D. Ruiz
		Chief Financial Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Richard K. Howe Richard K. Howe	Chairman of the Board of Directors, Chief Executive Officer, and principal executive officer	February 8, 2018
/s/ Wallace D. Ruiz Wallace D. Ruiz	Chief Financial Officer, principal financial and accounting officer	February 8, 2018
/s/ G. Kent Burnett G. Kent Burnett	Director	February 8, 2018
/s/ Gordon J. Cameron Gordon J. Cameron	Director	February 8, 2018
/s/ Charles D. Morgan Charles D. Morgan	Director	February 8, 2018
/s/ Charles L. Pope Charles L. Pope	Director	February 8, 2018
/s/ Patrick Terrell Patrick Terrell	Director	February 8, 2018

INUVO, INC.
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2017 AND 2016
INDEX TO AUDITED CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

To the Board of Directors and
Stockholders of Inuvo, Inc.:

Opinion on the Financial Statements

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

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Mayer Hoffman McCann P.C.

We have served as the Company's auditor since 2009.
February 8, 2018
Clearwater, Florida

Inuvo, Inc.
Consolidated Balance Sheets
For the Years Ended December 31,

		2017		2016
Assets				
Current assets				
Cash	$	4,084,686	$	3,946,804
Accounts receivable, net of allowance for doubtful accounts of $83,789 and $23,000, respectively		10,759,250		7,586,129
Unbilled revenue		4,330		8,644
Prepaid expenses and other current assets		395,861		284,469
Total current assets		15,244,127		11,826,046
Property and equipment, net		2,306,279		1,615,223
Other assets				
Goodwill		9,853,342		5,760,808
Intangible assets, net of accumulated amortization		10,808,018		8,343,876
Other assets		36,070		15,186
Total other assets		20,697,430		14,119,870
Total assets	$	38,247,836	$	27,561,139
Liabilities and Stockholders' Equity				
Current liabilities				
Accounts payable	$	13,614,053	$	9,280,779
Revolving credit line		4,900,000		—
Accrued expenses and other current liabilities		2,887,816		2,689,640
Total current liabilities		21,401,869		11,970,419
Long-term liabilities				
Deferred tax liability		2,331,900		3,738,500
Other long-term liabilities		426,725		326,428
Total long-term liabilities		2,758,625		4,064,928
Stockholders' equity				
Preferred stock, $.001 par value:				
Authorized shares 500,000, none issued and outstanding		—		—
Common stock, $.001 par value:				
Authorized shares 40,000,000; issued shares 28,994,981 and 25,300,189 respectively; outstanding shares 28,618,454 and 24,923,662, respectively		28,996		25,300
Additional paid-in capital		136,033,967		130,418,413
Accumulated deficit		(120,579,062)		(117,521,362)
Treasury stock, at cost - 376,527 shares		(1,396,559)		(1,396,559)
Total stockholders' equity		14,087,342		11,525,792
Total liabilities and stockholders' equity	$	38,247,836	$	27,561,139

See accompanying report of independent registered public accounting firm and notes to the consolidated financial statements.

Inuvo, Inc.
Consolidated Statements of Operations
For the Years Ended December 31,

	2017	2016
Net revenue	$ 79,554,493	$ 71,530,102
Cost of revenue	36,669,543	21,364,795
Gross profit	42,884,950	50,165,307
Operating expenses		
Marketing costs (TAC)	28,578,401	39,195,653
Compensation	10,200,117	6,830,338
Selling, general and administrative	8,342,906	4,996,482
Total operating expenses	47,121,424	51,022,473
Operating loss	(4,236,474)	(857,166)
Interest expense, net	(318,193)	(99,965)
Loss from continuing operations before taxes	(4,554,667)	(957,131)
Income tax benefit	1,498,076	29,260
Loss from continuing operations	(3,056,591)	(927,871)
Net (loss) income from discontinued operations	(1,109)	155,287
Net loss	$ (3,057,700)	$ (772,584)
Per common share data		
Basic and diluted		
Net loss from continuing operations	$ (0.11)	$ (0.04)
Net income from discontinued operations	—	0.01
Net loss	$ (0.11)	$ (0.03)
Weighted average shares		
Basic	28,155,320	24,660,995
Diluted	28,155,320	24,660,995

See accompanying report of independent registered public accounting firm and notes to the consolidated financial statements.

Inuvo, Inc.
Consolidated Statements of Stockholders' Equity
For the Years Ended December 31, 2017 and 2016

	Common Stock		Additional Paid in Capital	Accumulated Deficit	Treasury Stock	Total
	Shares	Stock				
Balances as of December 31, 2015	24,375,881	$ 24,752	$ 129,081,029	$ (116,748,778)	$ (1,396,559)	$ 10,960,444
Net loss	—	—	—	(772,584)	—	(772,584)
Stock-based compensation	—	—	1,264,266	—	—	1,264,266
Treasury Stock Repurchase	(15,883)	(16)	(22,483)	—	—	(22,499)
Stock issued for vested restricted stock awards	396,997	397	(397)	—	—	—
Contingent stock issuance	166,667	167	299,834	—	—	300,001
Taxes withheld on vested restricted stock	—	—	(203,836)	—	—	(203,836)
Balances as of December 31, 2016	24,923,662	$ 25,300	$ 130,418,413	$ (117,521,362)	$ (1,396,559)	$ 11,525,792
Net loss	—	—	—	(3,057,700)	—	(3,057,700)
Stock-based compensation	—	—	1,279,807	—	—	1,279,807
Stock issued for vested restricted stock awards	309,057	309	22,200	—	—	22,509
NetSeer acquisition	3,529,000	3,529	4,455,715	—	—	4,459,244
Shares withheld for taxes on vested restricted stock			(97,539)	—	—	(97,539)
Treasury Stock Retirement	(143,265)	(142)	(44,629)	—		(44,771)
Balances as of December 31, 2017	28,618,454	$ 28,996	$ 136,033,967	$ (120,579,062)	$ (1,396,559)	$ 14,087,342

See accompanying report of independent registered public accounting firm and notes to the consolidated financial statements.

Inuvo, Inc.
Consolidated Statements of Cash Flows
For the Years Ended December 31, 2017 and 2016

	2017	2016
Operating activities:		
Net loss	$ (3,057,700)	$ (772,584)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	3,029,801	2,209,738
Stock based compensation	1,279,807	1,264,266
Write-off of publisher payable	315,137	—
Provision for doubtful accounts	60,789	5,800
Amortization of financing fees	25,600	25,600
Adjustment of European liabilities related to discontinued operations	1,109	(176,988)
Deferred income taxes	(1,406,600)	(61,100)
Change in operating assets and liabilities:		
Accounts payable	437,241	(622,548)
Prepaid expenses and other assets	52,687	219,656
Accounts receivable and unbilled revenue	(1,216,611)	(583,082)
Accrued expenses and other liabilities	(669,541)	(420,875)
Other	—	(34,864)
Net cash (used in) provided by operating activities	(1,148,281)	1,053,019
Investing activities:		
Net cash received from NetSeer asset acquisition	235,763	—
Purchases of equipment and capitalized development costs	(1,558,693)	(1,116,371)
Net cash used in investing activities	(1,322,930)	(1,116,371)
Financing activities:		
Net proceeds on revolving line of credit	4,900,000	—
Prepaid financing fees	25,600	25,600
Payoff of NetSeer debt acquired	(2,015,577)	—
Payments on capital leases	(158,782)	(46,313)
Net taxes paid on RSU grants exercised	(97,376)	(203,836)
Treasury Stock Repurchase	(44,772)	(22,499)
Net cash provided by (used in) financing activities	2,609,093	(247,048)
Net change – cash	137,882	(310,400)
Cash, beginning of year	3,946,804	4,257,204
Cash, end of year	$ 4,084,686	$ 3,946,804
Supplemental information:		
Interest paid	$ 268,960	$ 72,751
Income taxes paid, net of refund	$ —	$ 26,000
Non-cash investing and financing activities:		
NetSeer asset acquisition (See Note 15)	$ 4,459,244	$ —
Purchase of property and equipment under capital lease	$ 530,407	
Write-down of domain names due to settlement of contingent liability	$ 369,506	$ 43,367
Stock issuance for partial settlement of contingent liability	$ —	$ 300,001

See accompanying report of independent registered public accounting firm and notes to the consolidated financial statements.

Note 1 – Organization and Business

Company Overview

We develop technology that connects advertisers with consumers through interactions with content across devices. The Inuvo Exchange provides the means to interact with tens of thousands of advertisers (Demand) and tens of thousands of online publishers (Supply). We interact with Demand/Supply constituents directly and indirectly. We serve ads within content, video and slideshows. We target ads to consumers using our proprietary IntentKey, a form of artificial intelligence ("AI") that uses the Internet as a source of information. The result of the AI includes a database of over 500 million machine profiles, of which over 100 million are updated each week. We use this AI as the means to develop and deliver online audiences to our advertisers. We earn revenue when consumers view and/or click on our ads. Our business scales as we add Demand and Supply relationships with many barriers to entry including the ability to process hundreds of thousands of transactions per second. Collectively, our technology platforms facilitate the buying and selling of media in a manner that positions Inuvo as an advertising exchange.

Our intellectual property is protected by 15 issued and eight pending patents. We count among our many contractual relationships, three clients who collectively manage over 50% of all US digital advertising budgets. Included within our Supply portfolio is a collection of owned websites such as alot.com and earnspendlive.com, where we create content in health, finance, travel, careers, auto, education and living categories. These sites provide the means to test ad-tech, while also delivering high quality consumers to advertisers through interaction with proprietary content in the form of images, videos, slideshows and the written word.

Liquidity

On March 27, 2017, we amended our Business Financing Agreement with Western Alliance Bank ("Western Alliance Bank"), the parent company of Bridge Bank, N.A., our original lender (see Note 6, "Revolving credit line"). The renewal provided continued access to the revolving line of credit up to $10 million through September 2018, included the collateral acquired in the NetSeer asset acquisition and modified certain financial covenants. On July 31, 2017, we entered into the Ninth Business Financing Modification Agreement with Western Alliance Bank. The amendment changed certain financial ratios, definitions, the advance rate, the finance charge and the non-formula availability. As of December 31, 2017, the balance of the revolving line of credit was $4.9 million and had approximately $3.7 million in availability.

During September 2017, 45,900 shares of our common stock were repurchased in the open market at an average price of $.98 per share under the Company’s current share repurchase program and subsequently retired. The program was announced on December 9, 2016 and authorized the repurchase of the Company’s common stock totaling $500,000. The program terminated on November 30, 2017.

During the third quarter of 2017, we filed an S-3 registration statement with the Securities and Exchange Commission ("SEC") to replace an existing, expiring S-3 "shelf" registration statement, which permits us to offer and sell up to $15 million of our securities from time to time in one or more offerings. To date, we have not taken down any sales from this shelf registration statement. Though we believe the revolving line of credit and its expected renewal, as well as cash generated by operations, will provide sufficient cash for operations over the next twelve months, we may still elect to sell securities to the public or to selected investors, or borrow under the current or any replacement line of credit or other debt instruments in order to fund the development of our technologies, make acquisitions, pursue new business opportunities or grow existing businesses.

Note 2 – Summary of Significant Accounting Policies

Basis of presentation - The consolidated financial statements include our accounts and those of our wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Cash and cash equivalents - Cash and cash equivalents consist of highly liquid investments with original maturities of three months or less.

Revenue recognition - In May 2014, the FASB issued Accounting Standards Update No. 2014-09 (Topic 606) "Revenue from Contracts with Customers." Topic 606 supersedes the revenue recognition requirements in Topic 605 "Revenue Recognition" (Topic 605), and requires entities to recognize revenue when control of the promised goods or services is transferred to customers at an amount that reflects the consideration to which the entity expects to be entitled to in exchange for those goods or services. The Company adopted this guidance on January 1, 2018 using the modified retroactive approach and elected to apply the new guidance only to contracts that were not complete as of the date of adoption. The cumulative impact to retained earnings was not material. We developed a project plan for the implementation of the guidance including a review of all revenue streams to identify any differences in the timing, measurement or presentation of revenue recognition. We do not anticipate a material impact to revenue recognition except for revenue disclosures within the consolidated financial statements.

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

Effective January 1, 2018, revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Most of our revenue is generated from clicks on advertisements presented on our properties or those of our partners. We recognize revenue from clicks in the period in which the click occurs. Payments to partners who display advertisements on our behalf are recognized as cost of revenue. We also recognize revenue from serving impressions when we complete all or a part of an order from an advertiser. The revenue is recognized in the period that the impression is served.

Accounts receivable - Accounts receivable consists of trade receivables from customers. We record accounts receivable at its net realizable value, recognizing an allowance for doubtful accounts based on our best estimate of probable credit losses on our existing accounts receivable. Balances are written off against the allowance after all means of collection have been exhausted and the possibility of recovery is considered remote.

Marketing costs - Marketing costs or Traffic Acquisition Costs ("TAC") include the purchase of sponsored listings from search engines and is our primary method of attracting consumers to our owned and operated applications and websites. We expense these costs as incurred and present them as a separate line item in operating expenses in the consolidated statements of operations.

Property and equipment - Property and equipment are stated at cost, net of accumulated depreciation and amortization. Major renewals and improvements are capitalized while maintenance and repairs which do not improve or extend the life of the respective assets are expensed as incurred. Costs of assets sold or retired and the related accumulated depreciation are eliminated from accounts and the net gain or loss is reflected as an operating expense in the consolidated statements of operations.

Property and equipment are depreciated on a straight-line basis over three years for equipment, five to seven years for furniture and fixtures and two to three years for software. Leasehold improvements are amortized over the lesser of the estimated useful life of the asset or the remaining term of the lease. Depreciation expense was $1,503,449 and $1,279,030, respectively, for the years ended December 31, 2017 and 2016.

Capitalized Software Costs - We capitalize certain costs related to internally developed software and amortize these costs using the straight-line method over the estimated useful life of the software, generally two years. We do not sell internally developed software. Certain development costs not meeting the criteria for capitalization, in accordance with *ASC 350-40 Internal-Use Software*, are expensed as incurred.

Goodwill - Goodwill is recorded as the difference, if any, between the aggregate consideration paid for an acquisition and the fair value of the net tangible and intangible assets acquired. In accordance with *ASC 350, Goodwill and Other Intangible Assets* ("ASC 350"), we test goodwill for impairment at the reporting unit level (operating segment or one level below an operating segment) on an annual basis or more frequently if we believe indicators of impairment exist. The impairment test involves comparing the fair values of the applicable reporting units with their aggregate carrying value, including goodwill.

We generally determine the fair value of our reporting units using the income approach methodology of valuation that includes the undiscounted cash flow method as well as other generally accepted valuation methodologies. If the carrying amount of a reporting unit exceeds the reporting unit's fair value, the amount it exceeds fair value is equivalent to the amount of impairment loss.

We determined there was no impairment of goodwill during 2017 and 2016.

See Note 5, Intangible Assets and Goodwill, for more information.

Intangible Assets - We allocate a portion of the purchase price of acquisitions to identifiable intangible assets and we amortize definite-lived assets over their estimated useful lives. We consider our indefinite-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Trade names are not amortized as they are believed to have an indefinite life. Trade names are reviewed annually for impairment under ASC 350.

As a result of our acquisition of Vertro, Inc. ("Vertro") in March 2012, we recognized an asset for the customer relationship with Google of $8,820,000 and assigned it a useful life of 20 years. A primary reason for acquiring Vertro was its relationship with Google. Up to the time of the acquisition, we principally had access to the Yahoo! inventory of advertisements. Among the many valuable assets acquired in the Vertro transaction was this Google relationship and the access it provided to an enormous inventory of advertisements. In addition, we acquired the ALOT brand, whose products are monetized through Google and has historically produced a better margin than monetization through Yahoo!. In determining the useful life of this asset, we considered the strategic importance of Vertro's strong relationship with Google. Vertro and its predecessor company had contracts and successful renewals with Google that date back to 2006. The Google contract has been extended through February 28, 2019. We expect the relationship with Google to continue through the 20-year amortization period and beyond.

At the time of the Vertro acquisition, we engaged a third party valuation service to determine the fair value of the acquired assets. At the close of the 2017 and 2016 fiscal years, we again engaged a third party valuation service to reassess the fair value of the acquired assets.

From time to time, both search marketplaces, Google and Yahoo!, may implement policy or marketplace changes. In January 2013 Google requested changes to our agreement that impacted marketing programs for one of our ALOT products, the Appbar, the result of which was a decline in the number of product installs. Since acquiring the ALOT brand in the Vertro acquisition, we have materially expanded the brand into a number of additional owned and operated websites and applications. We expect products within the brand to ebb and flow as customer preferences change and Google adjusts its marketplace policies. At the close of 2013, we considered the Google change and decided to transition out of the Appbar product and replace it with web properties that we develop. At the close of 2014, we determined that the asset continued to be recoverable despite the impact to the Appbar product and our decision to transition away from it. We made this determination in part because during 2014 we completely replaced the revenue and margin from the Appbar product with other ALOT-branded and Google monetized products.

In May 2015, we purchased two domain websites and recorded the purchase at $715,874. In 2017, we determined that the seller would not meet the specific performance target for the second and third years and therefore, we adjusted the carrying value of the intangible asset to $300,000.

We recorded no impairment of intangible assets during 2017 or 2016.

See Note 5, Intangible Assets and Goodwill, for more information.

Income taxes - We utilize the liability method of accounting for income taxes as set forth in *ASC 740*, *Income Taxes* ("ASC 740”). Under the liability method, deferred taxes are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities. A valuation allowance is recorded when it is more likely than not that some of the deferred tax assets will not be realized. In assessing the need for a valuation allowance, we must project future levels of taxable income, which requires significant judgment. We examine evidence related to the history of taxable losses or income, the economic conditions in which we operate, organizational characteristics, our forecasts and projections, as well as factors affecting liquidity. All our deferred tax assets and liabilities are recorded as long-term assets and liabilities in the consolidated balance sheets. In 2017, we recognized an income tax benefit of $1,498,076 due to the passing of the Tax Cuts and Jobs Act in December 2017. The new law reduced corporate income tax rates from 35% to 21%. As a result, the deferred tax assets and liabilities recorded in the consolidated balance sheet were reevaluated at the new tax rates. Both the deferred tax assets and the deferred tax liabilities were reduced. The decrease in the deferred tax liability resulted in the one-time tax benefit.
We believe it is more likely than not that essentially none of our deferred tax assets will be realized, and we have recorded a full valuation for the net deferred tax assets as of December 31, 2017 and 2016.

We have adopted certain provisions of ASC 740. This statement clarifies the criteria that an individual tax position must satisfy for some or all of the benefits of that position to be recognized in a company’s financial statements. ASC 740 prescribes a recognition threshold of more likely than not, and a measurement attribute for all tax positions taken or expected to be taken on a tax return, in order to be recognized in the financial statements.

Impairment of long-lived assets - In accordance with *ASC 360*, *Property, Plant and Equipment*, long-lived assets, such as property and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the asset is measured by comparison of the carrying amount to future undiscounted cash flows the asset is expected to generate. If such assets are considered to be impaired, the impairment to be recognized is measured as the amount by which the carrying amount of the asset exceeds the fair value.

Stock-based compensation - We value stock compensation based on the fair value recognition provisions *ASC 718*, *Compensation – Stock Compensation,* which establishes accounting for stock-based awards exchanged for employee services and requires companies to expense the estimated grant date fair value of stock awards over the requisite employee service period.

The fair value of restricted stock awards is based on the market price of our common stock on the date of the grant. To value stock option awards, we use the Black-Scholes-Merton option pricing model. This model involves assumptions including the expected life of the option, stock price volatility, risk-free interest rate, dividend yield and exercise price. We recognize compensation expense in earnings over the requisite service period, applying a forfeiture rate to account for expected forfeitures of awards.

See Note 10, Stock-Based Compensation, for further details on our stock awards.

Government 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.

Treasury Stock - The cost method was used in recording the purchase of the treasury stock. Treasury stock changes as a result of common stock we acquire in the market. In December 2016, our Board of Directors authorized a stock repurchase program under which we may repurchase up to $500,000 of our outstanding common stock. The stock repurchase program expired on November 30, 2017. During December 2016, we purchased 15,883 shares of treasury stock with a weighted average exercise price of $1.42. In October 2017, we purchased and subsequently retired 45,900 shares of treasury stock with a weighted average exercise price of $0.98.

Earnings per share - During the periods presented, we had securities that could potentially dilute basic earnings per share in the future, but were excluded from the computation of diluted net loss per share, as their effect would have been anti-dilutive. We reported a net loss for 2017 and 2016 and therefore, shares associated with stock options, warrants and restricted stock are not included because they are anti-dilutive. Basic and diluted net loss per share is the same for all periods presented.

Operating segments - In accordance with *ASC 280 - Segment reporting*, segment information reported is built on the basis of internal management data used for performance analysis of businesses and for the allocation of resources. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker, its chief executive officer, reviews financial information presented on a consolidated basis and no expense or operating income is evaluated at a segment level. Given the consolidated level of review by the Company's chief executive officer, the Company operates as one reportable segment. Most net revenue is earned in the United States and all long-lived assets are located in the United States.

Through December 31, 2016, we reported our business as two segments. Both business segments recognize revenue identically. Virtually all the revenue generated within digital publishing comes from our advertising technology. Operationally, these websites are no different from any other website we serve ads to and in this regard, have always been managed internally as an additional source of supply for our ad serving technology. As a result, starting in the first quarter of 2017, we began reporting as a single segment. We believe this will bring more clarity to shareholders.

Concentration of credit risk - We are exposed to concentrations of risk primarily in cash and cash equivalents and accounts receivable, which are generally not collateralized. Our policy is to place our cash and cash equivalents with high credit quality financial institutions in order to limit the amount of credit exposure. At times, deposits may exceed FDIC limits. We do not require collateral from our customers, but our credit extension and collection policies include monitoring payments and aggressively pursuing delinquent accounts. We maintain allowances for potential credit losses.

Customer concentrations - At December 31, 2017, we had two individual customers with accounts receivable balances greater than 10% of the gross accounts receivable from continuing operations. These customers combined owed approximately 71.3% of our gross accounts receivable balance as of December 31, 2017. The same two customers accounted for 76.1% of our revenue for the years ended December 31, 2017.

In 2016, we had two individual customers with accounts receivable balances greater than 10% of the gross accounts receivable from continuing operations. These customers combined owed approximately 98.6% of our gross accounts receivable balance as of December 31, 2016. The same two customers accounted for 98.3% of our revenue for the years ended and December 31, 2016.

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, contingent liabilities, including the Arkansas grant contingency, and stock compensation. Actual results may differ from the estimates and assumptions used in preparing the accompanying consolidated financial statements, and such differences could be material.

Litigation and settlement costs - From time to time, we are involved in disputes, litigation and other legal actions. In accordance with *ASC 450*, *Contingencies*, we record a charge equal to at least the minimum estimated liability for a loss contingency when both of the following conditions are met: (i) information available prior to issuance of the consolidated financial statements indicates that it is probable that an asset had been impaired or a liability had been incurred as of the date of the consolidated financial statements and (ii) the range of loss can be reasonably estimated.

Additional accounting pronouncements

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

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718). This standard makes several modifications to Topic 718 related to the accounting for forfeitures, employer tax withholding on share-based compensation and the financial statement presentation of excess tax benefits or deficiencies. ASU 2016-09 also clarifies the statement of cash flows presentation for certain components of share-based awards. The standard is effective for interim and annual reporting periods beginning after December 15, 2016, although early adoption is permitted. The company adopted this guidance January 1, 2017 and it did not have a significant impact on the Company's consolidated financial position or results of operations.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230) Classification of Certain Cash *Receipts and Cash Payments.* This Update addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years. The company adopted this guidance effective January 1, 2018 and it does expect to have a significant impact on the Company's consolidated financial position or results of operations.

Note 3 – Allowance for Doubtful Accounts

The activity in the allowance for doubtful accounts was as follows during the years ended December 31, 2017 and 2016:

	2017	2016
Balance at the beginning of the year	$ 23,000	$ 17,200
Provision for bad debts	63,000	6,557
Charge-offs	(2,211)	(874)
Recoveries	—	117
Balance at the end of the year	$ 83,789	$ 23,000

Note 4– Property and Equipment

The net carrying value of property and equipment at December 31, 2017 and 2016 was as follows:

	2017	2016
Furniture and fixtures	$ 288,536	$ 241,876
Equipment	1,509,464	811,948
Software	7,582,181	6,132,626
Leasehold improvements	455,850	441,382
Subtotal	$ 9,836,031	$ 7,627,832
Less: accumulated depreciation and amortization	(7,529,752)	(6,012,609)
Total	$ 2,306,279	$ 1,615,223

Note 5 – Intangible Assets and Goodwill

During 2017 and 2016, we evaluated our intangible assets and goodwill for impairment at the reporting unit level. We performed our impairment testing with the assistance of a third-party valuation firm. No indication of impairment was noted.

The following is a schedule of intangible assets and goodwill from continuing operations as of December 31, 2017:

	Term	Carrying Value	Accumulated Amortization and Impairment	Net Carrying Value	2017 Amortization
Customer list, Google	20 years	$ 8,820,000	$ (2,572,500)	$ 6,247,500	$ 441,000
Technology, NetSeer	5 years	3,600,000	(660,000)	2,940,000	660,000
Customer list, all other	10 years	1,610,000	(939,190)	670,810	161,004
Trade names, ALOT	5 years	960,000	(960,000)	—	32,000
Customer relationships, NetSeer	20 years	570,000	(26,125)	543,875	26,125
Domain websites (2)	5 years	300,001	(300,001)	—	32,056
Trade names, web properties (1)	-	390,000	—	390,000	—
Brand, NetSeer	1 year	121,000	(110,917)	10,083	110,917
Non-competition agreements, NetSeer	1 year	69,000	(63,250)	5,750	63,250
Intangible assets classified as long-term		$ 16,440,001	$ (5,631,983)	$ 10,808,018	$ 1,526,352
Goodwill, total		$ 9,853,342	$ —	$ 9,853,342	$ —

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

	Term		Carrying Value		Accumulated Amortization		Net Carrying Value		2016 Amortization
Customer list, Google	20 years	$	8,820,000	$	(2,131,500)	$	6,688,500	$	441,000
Customer list, all other	10 years		1,610,000		(778,186)		831,814		161,004
Exclusivity agreement	1 year		120,000		(120,000)		—		—
Trade names, ALOT	5 years		960,000		(928,000)		32,000		192,000
Domain websites (2)	5 years		669,507		(267,945)		401,562		136,704
Tradenames, web properties (1)	-		390,000		—		390,000		—
Intangible assets classified as long-term		$	12,569,507	$	(4,225,631)	$	8,343,876	$	930,708
Goodwill, total		$	5,760,808	$	—	$	5,760,808	$	—

(1) The trade names related to our web properties have an indefinite life, and as such are not amortized.
(2) In May 2015, we purchased two domain websites with a fair value of $715,874. We determined they should be amortized over 5 years (see Note 8). In May 2016, the carrying value was adjusted by approximately $46,000 to reflect the lower price paid as compared to the contingent liability recorded as a result of the change in the price of Inuvo stock from the date of acquisition to the first contingent release of shares. In 2017, we determined that the seller would not meet the specific performance target for the second and third years and therefore, we adjusted the carrying value of the intangible asset and associated contingent liability by $369,506.

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

2018	$	1,366,337
2019		1,350,504
2020		1,350,504
2021		1,350,504
2022		496,294
Thereafter		4,503,875
Total	$	10,418,018

Note 6 - Revolving credit line

The following table summarizes our revolving credit line balance:

		December 31, 2017		December 31, 2016
Revolving credit line - 5.25 percent at December 31, 2017 (prime plus 0.75 percent), due September 29, 2018 - current portion	$	4,900,000	$	—
Total	$	4,900,000	$	—

On March 1, 2012 we entered into a Business Financing Agreement with Bridge Bank, which is now owned by Western Alliance Bank. The agreement provided us with a revolving credit line of up to $10 million which we use to help satisfy our working capital needs. We have provided Western Alliance with a first priority perfected security interest in all of our accounts and personal property as collateral for the credit facility. Available funds under the revolving credit line are 85% of eligible accounts receivable balances up to a limit of $10 million. Eligible accounts receivable is generally defined as those from United States based customers that are not more than 90 days from the date of the invoice. We had approximately $3.7 million available under the credit line as of December 31, 2017.

On March 27, 2017, the Company entered into the Eighth Business Financing Modification Agreement with Western Alliance Bank, the parent company of Bridge Bank, our original lender, that modified the existing Agreement. The modified terms require a monthly quick ratio of not less than .65 to 1.00 from February 1, 2017 through December 31, 2017; and a monthly quick ratio of not less than .75 to 1.00 on and after January 1, 2018; and quarterly consolidated Adjusted EBITDA shall not negatively deviate more than $300,000 from projections for the quarter ending March 31, 2017, by more than $400,000 for the quarters ending June 30, 2017, September 30, 2017, and December 31, 2017, or with respect to any quarter in 2018 and beyond, by more than 25% from projections. On July 31, 2017, the Company entered into the Ninth Business Financing Modification Agreement with Western Alliance Bank. The modified terms require a monthly quick ratio of not less than .60 to 1.00 from June 1, 2017 through December 31, 2017; and a monthly quick ratio of not less than .70 to 1.00 on and after January 1, 2018; and quarterly consolidated Adjusted EBITDA of not less than 25% of the projections provided to the bank for the quarter ending June 30, 2017 and each quarter thereafter; the advance rate increases to 85%; and the non-formula availability decreases to $500,000 immediately, to $250,000 after October 15, 2017 and to zero at December 31, 2017. In addition, the finance charge for outstanding advances increases by 25 basis points and by 75 basis points for outstanding advances on the non-formula availability until the Company reports two consecutive months of positive Adjusted EBITDA. The revolving line of credit is effective to September 2018. While we periodically utilize our line of credit for operating needs, as of December 31, 2017, the balance of the revolving line of credit was $4.9 million. We were in compliance with all bank covenants as of December 31, 2017.

Note 7 – Accrued Expenses and Other Current Liabilities

The accrued expenses and other current liabilities consist of the following at December 31, 2017 and 2016:

	2017	2016
Accrued marketing costs (TAC)	$ 1,107,404	$ 1,622,737
Accrued payroll and commission liabilities	867,634	250,000
Accrued expenses and other	624,688	289,435
Capital leases, current portion	209,940	31,210
Accrued sales allowance	50,000	250,000
Accrued taxes	25,905	10,313
Deferred Arkansas grant, current portion and accrued reserve	2,245	13,468
Contingent stock due for acquired domains, current portion	—	222,477
Total	$ 2,887,816	$ 2,689,640

Note 8 – Other Long-Term Liabilities

Other long-term liabilities consist of the following at December 31, 2017 and 2016:

	2017	2016
Capital leases, less current portion	$ 281,470	$ —
Deferred rent	131,493	163,165
Accrued taxes, less current portion	13,762	13,763
Contingent stock due for acquired domains, less current portion	—	147,029
Deferred Arkansas grant, less current portion	—	2,471
Total	$ 426,725	$ 326,428

In June 2017, we entered into an agreement with Dell Financial Services to lease computer equipment for our data centers. The lease has a term of three years and will cost approximately $516,000 over the life of the lease (see Note 14).

In May 2015, we purchased two domain websites with a fair value of $715,874 (see Note 5). The purchase consideration is our common stock and is contingent upon the seller attaining specific performance targets over three years. In May 2016, the seller achieved the specific performance target for the first year and as a result, we issued 166,667 shares of common stock. The accrued contingent liability and the related intangible asset, domain websites, were adjusted by approximately $46,000 to reflect the lower price paid as compared to the contingent liability recorded as a result of the change in the price of Inuvo stock from the date of acquisition to the first contingent release of shares. In 2017, we determined that the seller would not meet the specific performance target for the second and third years and therefore, we adjusted the balance of the contingent liability and associated intangible asset by $369,506.

Note 9 - Income Taxes

The provision for income taxes consists of the following:

		2017		2016
Current tax provision	$	(91,477)	$	5,180
Deferred tax benefit		(1,406,599)		(34,440)
Total tax benefit	$	(1,498,076)	$	(29,260)

In 2017, we recognized an income tax benefit of $1,498,076 due to the passing of the Tax Cuts and Jobs Act in December 2017. The new law reduced corporate income tax rates from 35% to 21%. As a result, the deferred tax assets and liabilities recorded in the consolidated balance sheets were reevaluated at the new tax rates. Both the deferred tax assets and the deferred tax liabilities were reduced. The decrease in the deferred tax liability resulted in the one-time income tax benefit.

A reconciliation of the expected Federal statutory rate to our actual rate as reported for each of the periods presented is as follows:

	2017	2016
Federal statutory rate	34%	34%
State income tax rate, net of federal benefit	4%	(1%)
Permanent differences	(2%)	(2%)
Temporary differences	—%	(5%)
Impact in changes in tax law	22%	—%
Change in valuation allowance	(25%)	(22%)
	33%	4%

Deferred Income Taxes

Deferred income taxes are the result of temporary differences between book and tax basis of certain assets and liabilities, timing of income and expense recognition of certain items and net operating loss carry-forwards.

We assess temporary differences resulting from different treatments of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are recorded in the consolidated balance sheets. We evaluate the realizability of our deferred tax assets on a regular basis, an exercise that requires significant judgment. In the course of this evaluation we considered our recent history of tax losses, the economic conditions in which we operate, recent organizational changes and our forecasts and projections. We believe it is more likely than not that essentially none of our deferred tax assets will be realized, and we have recorded a valuation allowance for the net deferred tax assets that may not be realized as of December 31, 2017 and 2016.

The following is a schedule of the deferred tax assets and liabilities as of December 31, 2017 and 2016:

		2017		2016
Deferred tax assets:				
Net operating loss carry forward	$	29,622,135	$	27,202,348
Intangible assets		1,278,900		2,239,700
Stock based expenses		1,176,900		1,484,900
Accrued expense		362,000		311,000
Deferred rent		33,400		69,300
Allowance for doubtful accounts		23,200		9,800
Other		7,200		14,200
Subtotal		32,503,735		31,331,248
Less valuation allowance		(32,503,735)		(31,331,248)
Total		—		—
Deferred tax liabilities:				
Intangible assets and property and equipment		2,307,600		3,702,300
Other		24,300		26,200
Total		2,331,900		3,728,500
Total deferred tax liabilities	$	(2,331,900)	$	(3,728,500)

The net operating losses amounted to approximately $82,514,000 and expire beginning 2021 through 2038. Pursuant to Internal Revenue Service Code Section 382, the use of certain of the Company's net operating loss carry forwards are limited due to a cumulative change in ownership.

We are currently open to audit under the statute of limitations by the Internal Revenue Service for the years ending December 31, 2014 through 2016. Our state income tax returns are open to audit under the statute of limitations for the same periods.

We recognize interest and penalties related to income taxes in income tax expense. We have incurred no penalties and interest for the years ended December 31, 2017 and 2016.

Note 10 - Stock-Based Compensation

We maintain a stock-based compensation program intended to attract, retain and provide incentives for talented employees and directors and align stockholder and employee interests. Currently, we grant options and restricted stock units ("RSUs") from the 2010 Equity Compensation Plan ("2010 ECP") and the 2017 Equity Compensation Plan ("2017 ECP"). Option and restricted stock unit vesting periods are generally up to three years.

Compensation Expense

We recorded stock-based compensation expense for all equity incentive plans of $1,279,807 and $1,264,266 for the years ended December 31, 2017 and 2016, respectively. Total compensation cost not yet recognized at December 31, 2017 was $1,211,197 to be recognized over a weighted-average recognition period of 1.0 year.

Significant Grants and Cancellations

On July 27, 2015 and August 4, 2015, we granted certain employees service and performance RSUs totaling 965,500 shares with a weighted average fair value $3.03 per share. The service RSUs vest annually over a three-year period, commencing in July 2016, at the rate of 25% of the grant in year one and year two and the remaining 50% of the grant vesting on the third anniversary of the grant date. The awarding of the performance RSUs in contingent upon achieving certain revenue and profit targets and vest annually, one-third upon each anniversary of the grant date. On July 27, 2017, August 4, 2017, and August 5, 2017, the second measurement period targets were achieved and the number of shares issued totaled 294,152 with a weighted average fair value of $1.00.

On April 1, 2016, we granted members of our board of directors a total of 63,160 RSUs with a weighted average fair value of $1.90 a share which fully vest on March 31, 2017.

On November 1, 2016 we granted two new members of our board of directors a total of 22,936 RSUs with a weighted average fair value of $1.02 a share which fully vested on March 31, 2017.

On February 7, 2017, we granted former NetSeer employees service RSUs totaling 186,828 shares with a weighted average fair value of $1.65 per share which vested annually over a three year period.

On February 15, 2017, we granted a former NetSeer employee 20,520 RSUs with a weighted average fair value of $1.62 which fully vested on August 7, 2017.

On April 1, 2017, we granted members of our board of directors a total of 116,280 RSUs with a weighted average fair value of $1.29 a share which fully vest on March 31, 2018.

On June 19, 2017, we granted an employee service and performance RSUs totaling 125,000 RSUs with a weighted average fair value of $1.04 per share. The service RSUs vest annually over a three year period. The awarding of the performance RSUs is contingent upon achieving certain revenue and profit targets and vest annually over a three year period.

On June 19, 2017, we granted certain former NetSeer employees service and performance RSUs totaling 400,000 shares with a weighted average fair value of $1.04 per share. The service RSUs vest annually over a three year period. The awarding of the performance RSUs is contingent upon achieving certain revenue and profit targets and vest annually, one-third upon each anniversary of the grant date. On December 31, 2017, the first measurement period targets were not achieved and the number of shares canceled totaled 92,487.

On July 7, 2017, we granted an employee 20,000 RSUs with a weighted average fair value of $1.02 which vest annually over a three year period.

Award Information and Activity

The following table summarizes the stock grants outstanding under our 2005 Long-Term Incentive Plan ("2005 LTIP"), 2010 ECP and 2017 ECP plans as of December 31, 2017:

	Options Outstanding	RSUs Outstanding	Options and RSUs Exercised	Available Shares	Total
2017 ECP	—	125,000	—	1,875,000	2,000,000
2010 ECP	250,498	946,538	2,780,740	604,242	4,582,018
2005 LTIP (*)	13,748	—	950,085	—	963,833
Total	264,246	1,071,538	3,730,825	2,479,242	7,545,851

(*) Expired June 2015

The fair value of restricted stock units is determined using market value of the common stock on the date of the grant. The fair value of stock options is determined using the Black-Scholes-Merton valuation model. The use of this valuation model involves assumptions that are judgmental and highly sensitive in the determination of compensation expense and include the expected life of the option, stock price volatility, risk-free interest rate, dividend yield, exercise price, and forfeiture rate. Forfeitures are estimated at the time of valuation and reduce expense ratably over the vesting period. The forfeiture rate, which is estimated at a weighted average of 0% of unvested options outstanding, is adjusted periodically based on the extent to which actual forfeitures differ, or are expected to differ, from the previous estimate.

At December 31, 2017, the 2005 LTIP and 2010 ECP plans had 264,246 outstanding options and all were exercisable with an aggregate intrinsic value of $0, a weighted average exercise price of $2.84 and a weighted average remaining contractual term of 3.2 years.

The following table summarizes our stock option activity under the 2005 LTIP and 2010 ECP plans during 2017:

	Options	Weighted Average Exercise Price
Outstanding, beginning of year	264,246	$ 2.84
Granted	—	$ —
Forfeited, expired or cancelled	—	$ —
Exercised	—	$ —
Outstanding, end of year	264,246	$ 2.84
Exercisable, end of year	264,246	$ 2.84

No options were granted during 2017 or 2016.

Expected volatility is based on the historical volatility of our common stock over the period commensurate with or longer than the expected life of the options. The expected life of the options is based on the vesting schedule of the option in relation to the overall term of the option. The risk free interest rate is based on the market yield of the U.S. Treasury Bill with a term equal to the expected term of the option awarded. We do not anticipate paying any dividends so the dividend yield in the model is zero.

The following table summarizes our restricted stock activity for 2017:

	Restricted Stock	Weighted Average Fair Value
Outstanding, beginning of year	755,507	$ 2.84
Granted	868,628	$ 1.22
Exercised	(406,156)	$ 2.61
Forfeited	(146,441)	$ 1.15
Outstanding, end of year	1,071,538	$ 1.84

Note 11 – Stockholders Equity

Authorized Preferred Stock and Authorized Common Stock

On March 1, 2012, the Company filed an amendment to the Company's Articles of Incorporation increasing the number of shares of authorized common stock from 20,000,000 shares to 40,000,000.

Treasury Stock

On December 9, 2016, our Board of Directors authorized a stock repurchase program under which we may repurchase up to $500,000 of our outstanding common stock. The stock repurchase program expired on November 30, 2017. During December 2016, we purchased 15,883 shares of treasury stock with a weighted average exercise price of $1.42. In October 2017, we purchased and subsequently retired 45,900 shares of treasury stock with a weighted average exercise price of $0.98.

Note 12 – Discontinued Operations

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

In the third quarter of 2016, our petition with the UK (United Kingdom) Companies House to strike off and dissolve the remaining subsidiary in the EU was approved. As a result, for the twelve months ended December 31, 2017, we recognized a net loss from discontinued operations of $1,109 due to a charge from a service provider. As of December 31, 2016, we recorded a net income of $155,287 due primarily to the adjustment of certain accrued liabilities.

Note 13 – Retirement Plan Costs

We provide a 401(k) plan to help our employees prepare for retirement. We match each employee's contributions to the plan up to the first four percent of the employee's annual salary. The matching contribution for the years ended December 31, 2017 and 2016 was $255,366 and $146,033, respectively.

Note 14 - Leases

We lease certain office space and equipment. As leases expire, it can be expected that they will be renewed or replaced in the normal course of business. Rent expense from continuing operations was approximately $431,949 and $175,469 for the year ended December 31, 2017 and 2016, respectively.

Minimum lease payments under non-cancelable operating leases for the periods ended December 31:

		Lease Payments
2018	$	466,329
2019		473,851
2020		402,138
2021		239,090
2022	$	162,706
Total	$	1,744,114

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

In June 2017, we entered into an agreement with Dell Financial Services to lease computer equipment for our data centers. The lease has a term of three years and will cost approximately $173,000 over the life of the lease.

In June 2017, we entered into an agreement to lease 4,801 square feet of office space in San Jose, CA commencing on July 17, 2017. The lease has a term of five years and will cost approximately $216,000 during its first year. Thereafter, the lease payments increase by 3%.

Capital lease obligations and future minimum lease payments under non-cancelable capital leases as of December 31, 2017 are:

		Lease Payments
2018	$	243,725
2019	$	214,738
2020	$	82,405
Total payments under capital lease obligations	$	540,868
Less amount representing interest		(49,458)
Present value of capital lease obligations		491,410
Current portion of capital lease obligations		(209,940)
Capital lease obligations, net of current portion	$	281,470

Assets acquired under capital lease obligations are included in property and equipment in the accompanying consolidated balance sheet. Cost and related accumulated depreciation December 31, 2017 are as follows:

		2017		2016
Equipment	$	707,264	$	103,609
Less accumulated depreciation		(242,169)		(69,072)
Equipment, net	$	465,095	$	34,537

Depreciation expense on assets under capital lease obligations was $173,097 and $34,537 for the years ended December 31, 2017 and December 31, 2016 and included in the consolidated statements of operations.

In February 2017, we acquired the assets and certain liabilities of NetSeer, Inc. including the capital lease for computer equipment with a remaining value at that time of $88,575.

In June 2017, we entered into an agreement with Dell Financial Services to lease computer equipment for our data centers. The lease has a term of three years and will cost approximately $516,000 over the life of the lease.

Note 15 - NetSeer Acquisition

On February 6, 2017, we entered into an Asset Purchase Agreement to acquire the assets of NetSeer, Inc. Under the terms of the agreement, we acquired substantially all of the assets of NetSeer, and assumed certain liabilities and personnel obligations, in exchange for 3,529,000 shares of our common stock. Of this amount, 529,350 shares were deposited into escrow with our counsel under the terms of an escrow agreement pending possible post-closing adjustments in the purchase price related to working capital and audited financial statement adjustments, as well as in connection with possible indemnification claims post-closing. The operating results of this acquisition have been included in the consolidated statements of operations since the acquisition date. As a result of the business acquisition, the Company recognized goodwill in the amount of $4,013,034. The factors contributing to the recognition of the amount of goodwill are based on strategic benefits that are expected to be realized from acquiring NetSeer's assembled workforce in addition to other synergies gained from integrating NetSeer's operations into the Company’s consolidated structure. The Company incurred approximately $350,000 in acquisition related costs, which are recorded in selling, general and administrative expenses in the accompanying consolidated statements of operations.

Total consideration paid in common stock (with marketability discount applied)	$	4,459,244
Fair value of assets acquired:		
Accounts receivable, net		(2,292,485)
Prepaid expenses and other current assets		(236,163)
Property and equipment, net		(119,101)
Goodwill		(4,013,034)
Intangible assets		(4,360,000)
Fair value of liabilities assumed:		
Accounts payable	$	3,579,787
Accrued expenses and other current liabilities		1,152,789
Other long-term liabilities		49,149
Debt		2,015,577
Cash received in acquisition	$	235,763

In accordance with ASC guidance related to business combinations, net consideration was first allocated to the fair value of assets acquired, including specifically identifiable intangible assets and liabilities assumed, with the excess being recorded as goodwill. Goodwill related to this acquisition is not deductible for tax purposes and is not amortized, but instead is subject to periodic impairment tests.

The purchase originally included the assumption of gross customer accounts receivable totaling $2,292,485. The Company estimated that most of these receivables will be collected. Therefore, the receivables are recorded at the estimated fair value, which equals the gross contractual amount. At December 31, 2017, we determined that a receivable acquired in the acquisition was not realizable. As a result, it was written off and goodwill was increased by $79,500. At December 31, 2017, the Company completed its evaluation and determination of the assets and liabilities acquired. Specifically identifiable intangible assets consist of $4,360,000 and are amortized on a straight-line basis over the estimated useful life. Additionally, NetSeer revenue totaling approximately $15.8 million since the acquisition date is included in the 2017 consolidated statements of operations.

Note 16 - Segments

In accordance with ASC 280 - *Segment reporting*, segment information reported is built on the basis of internal management data used for performance analysis of businesses and for the allocation of resources. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision making group, in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker, its chief executive officer, reviews financial information presented on a consolidated basis and no expense or operating income is evaluated at a segment level. Given the consolidated level of review by the Company's chief executive officer, the Company operates as one reportable segment. Most net revenue is earned in the United States and all long-lived assets are located in the United States.

Through December 31, 2016, we reported our business as two segments. Both business segments recognize revenue identically. Virtually all the revenue generated within digital publishing comes from our advertising technology. Operationally, these websites are no different from any other website we serve ads to and in this regard, have always been managed internally as an additional source of supply for our ad serving technology. As a result, starting in the first quarter of 2017, we began reporting as a single segment. We believe this will bring more clarity to shareholders.

Note 17 - Related Party Transactions

In 2017 and 2016, the Company received a total of $117,385 and $101,884, respectively from First Orion Corp., which is partially owned by two directors and shareholders of Inuvo, for providing IT services.

EXHIBIT 21.1-SUBSIDIARIES OF THE REGISTRANT

Inuvo, Inc.	Nevada Corporation
ValidClick	Missouri Corporation
Vintacom Florida, Inc.	Florida Corporation
iLead Media, LLC	Delaware Limited Liability Company
Kowabunga Marketing, Inc.	Michigan Corporation
Vertro, Inc.	Delaware Corporation
ALOT, Inc.	Delaware Corporation
Varick & Spring I, Inc.	Delaware Corporation
Who Midco Corporation	Delaware Corporation
Varick and Spring II, Inc.	Delaware Corporation
Think Relevant Media, LLC.	Arkansas Corporation
Bonfire Publishing Group, LLC.	Florida Corporation
NetSeer Acquisition, Inc.	Nevada Corporation

Consent of Independent Registered Public Accounting Firm

We have issued our report dated February 8, 2018 on the 2017 and 2016 consolidated financial statements included in the Annual Report of Inuvo, Inc. on Forn 10-K for each of the years in the two-year period ended December 31, 2017. We hereby consent to the incorporation by reference of said report in the Registration Statements of Inuvo, Inc. on Forms S-3 (File No. 333-220317, effective September 8, 2017; File No. 333-220311, effective September 8, 2017; F No. 333-212434, effective date July 21, 2016; File No. 333-175682, effective July 26, 2011; and File No. 333-172571, effective April 4, 2011) and on Forms S- (File No. 333-137666, effective September 29, 2006; File No. 333-169158, effective September 2, 2010; File No. 333-179790, effective February 29, 2012; File No. 333-203732, effective April 29, 2015; File No. 333-220313, effective September 1, 2017; and File No. 333-220320, effective September 1, 2017).

Mayer Hoffman McCann P.C.

February 8, 2018
Clearwater, Florida

EXHIBIT 31.1

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

I, Richard K. Howe, certify that:

1. I have reviewed this annual report on Form 10-K of Inuvo, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2018

/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 annual report on Form 10-K of Inuvo, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 8, 2018

/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 Annual Report of Inuvo, Inc. (the "Company") on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Richard K. Howe, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the Report fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Date: February 8, 2018

/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 Annual Report of Inuvo, Inc. (the "Company") on Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission (the "Report"), I, Wallace D. Ruiz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. SS. 1350, as adopted pursuant to SS. 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and

2. The information contained in the Report fairly presents, in all material respects, the financial conditions and results of operations of the Company.

Date: February 8, 2018

/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.