

INNERWORKINGS INC

FORM 10-Q (Quarterly Report)

Filed 05/10/10 for the Period Ending 03/31/10

Address	600 WEST CHICAGO SUITE 750 CHICAGO, IL 60610
Telephone	312-642-3700
CIK	0001350381
Symbol	INWK
SIC Code	2790 - Service Industries For The Printing Trade
Industry	Printing Services
Sector	Services

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

- Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended March 31, 2010**
- Transition Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from _____ to _____**

Commission File Number 000-52170

INNERWORKINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

**Delaware
(State or Other Jurisdiction of
Incorporation or Organization)**

**20-5997364
(I.R.S. Employer
Identification No.)**

**600 West Chicago Avenue, Suite 850
Chicago, Illinois 60654
Phone: (312) 642-3700**

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

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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes: No:

Indicate by check mark whether the Registrant is an a large accelerated filer, an accelerated filer, or non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. Check one:

Large accelerated filer:

Accelerated filer:

Non-accelerated filer: (Do not check if a smaller reporting company)

Smaller reporting company

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

As of May 7, 2010, the Registrant had 45,659,818 shares of Common Stock, par value \$0.0001 per share, outstanding.

INNERWORKINGS, INC.

TABLE OF CONTENTS

	<u>Page</u>
PART I. FINANCIAL INFORMATION	
Item 1. Consolidated Financial Statements	3
Consolidated Statements of Income for the three months ended March 31, 2009 and 2010 (Unaudited)	3
Consolidated Balance Sheets as of December 31, 2009 and March 31, 2010 (Unaudited)	4
Consolidated Statements of Cash Flows for the three months ended March 31, 2009 and 2010 (Unaudited)	5
Notes to Consolidated Financial Statements (Unaudited)	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	14
Item 3. Quantitative and Qualitative Disclosures about Market Risk	18
Item 4. Controls and Procedures	18
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings	18
Item 1A. Risk Factors	19
Item 6. Exhibits	19
SIGNATURES	20
EXHIBIT INDEX	21

PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

**InnerWorkings, Inc.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)**

	Three Months Ended March 31,	
	2009	2010
Revenue	\$ 94,277,433	\$ 112,212,546
Cost of goods sold	71,267,277	85,280,016
Gross profit	23,010,156	26,932,530
Operating expenses:		
Selling, general, and administrative expenses	20,619,116	22,004,424
Depreciation and amortization	1,495,375	2,117,625
Income from operations	895,665	2,810,481
Other income (expense):		
Gain on sale of investment	-	723,382
Interest income	94,439	70,917
Interest expense	(442,244)	(240,692)
Other, net	(144,296)	(28,508)
Total other income (expense)	(492,101)	525,099
Income before taxes	403,564	3,335,580
Income tax expense	155,153	1,167,453
Net income	\$ 248,411	\$ 2,168,127
Basic earnings per share	\$ 0.01	\$ 0.05
Diluted earnings per share	\$ 0.01	\$ 0.05

See accompanying notes.

InnerWorkings, Inc.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

	<u>December 31,</u> <u>2009</u>	<u>March 31,</u> <u>2010</u> <u>(Unaudited)</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,903,906	\$ 7,368,974
Short-term investments	23,541,199	20,019,260
Accounts receivable, net of allowance for doubtful accounts of \$4,634,848 and \$1,903,479, respectively	72,565,814	82,293,183
Unbilled revenue	20,189,900	21,428,365
Inventories	8,749,266	8,137,572
Prepaid expenses	11,399,560	10,930,409
Advances to related parties	36,458	43,018
Other current assets	7,355,447	7,398,400
Total current assets	<u>146,741,550</u>	<u>157,619,181</u>
Property and equipment, net	10,833,712	10,856,786
Intangibles and other assets:		
Goodwill	77,905,703	78,308,194
Intangible assets, net of accumulated amortization of \$6,802,217 and \$7,341,203, respectively	24,364,784	22,889,927
Deposits	445,575	422,996
Deferred income taxes	6,540,933	6,086,829
Other assets	325,799	267,496
	<u>109,582,794</u>	<u>107,975,442</u>
Total assets	<u>\$ 267,158,056</u>	<u>\$ 276,451,409</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable-trade	\$ 53,915,750	\$ 64,080,970
Advances from related parties	56,940	287,669
Current maturities of capital lease obligations	117,582	57,981
Due to seller	1,725,000	2,215,833
Customer deposits	3,145,329	1,008,463
Other liabilities	7,826,441	5,856,951
Deferred income taxes	1,014,372	1,711,873
Accrued expenses	2,832,256	4,039,342
Total current liabilities	<u>70,633,670</u>	<u>79,259,082</u>
Revolving credit facility	46,384,586	46,476,689
Capital lease obligations, less current maturities	19,506	59,369
Other long-term liabilities	3,070,278	1,430,300
Total liabilities	<u>120,108,040</u>	<u>127,225,440</u>
Stockholders' equity:		
Common stock, par value \$0.0001 per share, 45,628,685 and 45,659,818 shares were issued and outstanding as of December 31, 2009 and March 31, 2010, respectively	456	459
Additional paid-in capital	170,330,891	170,891,909
Treasury stock at cost	(74,307,200)	(74,307,200)
Accumulated other comprehensive income	5,217,425	4,664,230
Retained earnings	45,808,444	47,976,571
Total stockholders' equity	<u>147,050,016</u>	<u>149,225,969</u>
Total liabilities and stockholders' equity	<u>\$ 267,158,056</u>	<u>\$ 276,451,409</u>

See accompanying notes.

InnerWorkings, Inc.
CONSOLIDATED STATEMENT OF CASH FLOWS
(Unaudited)

	Three Months Ended March 31,	
	2009	2010
	(Unaudited)	
Cash flows from operating activities		
Net income	\$ 248,411	\$ 2,168,127
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Deferred income taxes	2,320,158	1,391,351
Noncash stock compensation expense	919,755	561,018
Depreciation and amortization	1,495,375	2,117,625
Deferred financing amortization	52,087	55,302
Gain on sale of investment	-	(723,382)
Bad debt provision	(190,820)	460,947
Change in assets, net of acquisitions:		
Accounts receivable and unbilled revenue	1,850,340	(11,842,342)
Inventories	(309,597)	1,867,382
Prepaid expenses and other	(2,811,352)	712,558
Change in liabilities, net of acquisitions:		
Accounts payable	13,699,055	10,441,481
Advances from related parties	566,446	224,169
Customer deposits	103,679	(2,136,866)
Income tax payable	(9,007,997)	-
Accrued expenses and other	(1,282,135)	(1,083,457)
Net cash provided by operating activities	<u>7,653,405</u>	<u>4,213,913</u>
Cash flows from investing activities		
Purchases of property and equipment	(2,352,813)	(1,418,619)
Proceeds from sale of investment	-	726,820
Proceeds from sale of marketable securities	25,584	2,666,770
Payments to seller	-	(1,725,000)
Payments for acquisitions, net of cash acquired	(3,811,551)	(59,209)
Net cash provided by (used in) investing activities	<u>(6,138,780)</u>	<u>190,762</u>
Cash flows from financing activities		
Principal payments on capital lease obligations	(36,550)	(16,279)
Net borrowings (repayment) from revolving credit facility	(590,061)	92,103
Issuance of shares	49,000	3
Tax benefit of stock options exercised	100,218	-
Net cash provided by (used in) financing activities	<u>(477,393)</u>	<u>75,827</u>
Effect of exchange rate changes on cash and cash equivalents	<u>(137,770)</u>	<u>(15,434)</u>
Increase in cash and cash equivalents	899,462	4,465,068
Cash and cash equivalents, beginning of period	4,011,855	2,903,906
Cash and cash equivalents, end of period	<u>\$ 4,911,317</u>	<u>\$ 7,368,974</u>

See accompanying notes.

InnerWorkings, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
Three Months Ended March 31, 2010

1. Summary of Significant Accounting Policies

Basis of Presentation of Interim Financial Statements

The accompanying unaudited consolidated financial statements of InnerWorkings, Inc. and subsidiaries (the Company) included herein have been prepared to conform to the rules and regulations of the Securities and Exchange Commission (SEC) and accounting principles generally accepted in the United States for interim financial information. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments considered necessary for a fair presentation of the accompanying unaudited financial statements have been included, and all adjustments are of a normal and recurring nature. The operating results for the three months ended March 31, 2010 are not necessarily indicative of the results to be expected for the full year of 2010. These condensed interim consolidated financial statements and notes should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto as of December 31, 2009 included in the Company's Annual Report on Form 10-K filed with the SEC on March 9, 2010.

Foreign Currency Translation

The functional currency for the Company's foreign operations is the local currency. Assets and liabilities of these operations are translated into U.S. currency at the rates of exchange at the balance sheet date. The resulting translation adjustments are included in accumulated other comprehensive income, a separate component of stockholders' equity. Income and expense items are translated at average monthly rates of exchange. Realized gains and losses from foreign currency transactions were not material.

Accounting Pronouncements Recently Adopted

In January 2010, the FASB issued ASU No. 2010-6, *Improving Disclosures About Fair Value Measurements*, that amends existing disclosure requirements under ASC 820 by adding required disclosures about items transferring into and out of levels 1 and 2 in the fair value hierarchy; adding separate disclosures about purchase, sales, issuances, and settlements relative to level 3 measurements; and clarifying, among other things, the existing fair value disclosures about the level of disaggregation. This ASU is effective for the first quarter of 2010, except for the requirement to provide level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which is effective beginning the first quarter of 2011. Because this standard impacts disclosure requirements only, its adoption did not have any impact on the Company's consolidated results of operations or financial condition.

Goodwill and Other Intangibles

Goodwill represents the excess of purchase price and related costs over the value assigned to the net tangible and identifiable intangible assets of businesses acquired. In accordance with ASC 350, *Intangibles – Goodwill and Other*, goodwill is not amortized, but instead is tested for impairment annually, or more frequently if circumstances indicate a possible impairment may exist. The Company evaluates the recoverability of goodwill using a two-step impairment test. For goodwill impairment test purposes, the Company has one reporting unit. In the first step, the fair value for the Company is compared to its book value including goodwill. In the case that the fair value is less than the book value, a second step is performed which compares the implied fair value of goodwill to the book value of goodwill. The fair value for the goodwill is determined based on the difference between the fair value of the Company and the net fair values of the identifiable assets and liabilities. If the implied fair value of the goodwill is less than the book value, the difference is recognized as an impairment. Absent any interim indicators of impairment, the Company has elected to test for goodwill impairment during the fourth quarter of each year, and as a result of the 2009 analysis performed, no impairment charges were required.

The increase in goodwill for the three months ended March 31, 2010 is the result of an increase in earn-out liabilities of \$564,072, offset by the effect of foreign exchange of \$58,782, decrease in net assets of \$59,206 and by adjustments made to 2009 acquisition purchase price allocations based on updated valuation reports which resulted in an additional \$43,593 being allocated to intangibles, with a corresponding reduction to goodwill.

InnerWorkings, Inc.
Notes to Consolidated Financial Statements (Unaudited)—(Continued)

In connection with certain of the Company's acquisitions, contingent consideration is payable in cash upon the achievement of certain performance measures over future periods. For acquisitions prior to December 31, 2008, contingent consideration payments will be recorded as additional purchase price. The Company paid \$1,725,000 related to these agreements in the three month period ended March 31, 2010, respectively. Total remaining potential contingent payments under these agreements amount to \$33,681,497 as of March 31, 2010. For the acquisitions occurring subsequent to January 1, 2009, the Company has estimated and recorded potential contingent consideration as an increase in purchase price. This amount is \$4,477,056, of which \$1,430,300 is included in other long-term liabilities on the balance sheet. Any future adjustments related to the acquisitions occurring after January 1, 2009 to the valuation of contingent consideration will be recorded in the Company's results from operations.

As of March 31, 2010, the potential contingent payments are payable in the years as follows:

2011	\$15,692,927
2012	13,411,204
2013	<u>9,054,422</u>
	<u>\$38,158,553</u>

In accordance with ASC 350, *Intangibles – Goodwill and Other*, the Company amortizes its intangible assets with finite lives over their respective estimated useful lives and reviews for impairment whenever impairment indicators exist. The Company's intangible assets consist of customer lists, noncompete agreements, trade names and patents. The Company's customer lists, which have an estimated weighted-average useful life of fourteen years, are being amortized using the economic useful life method. The Company's noncompete agreements, trade names and patents are being amortized on the straight-line basis over their estimated weighted-average useful lives of approximately four years, thirteen years and ten years, respectively.

The following is a summary of the intangible assets:

	December 31, 2009	March 31, 2010	Weighted- Average Life
Customer lists	\$ 26,589,715	\$ 25,958,656	14.3 years
Noncompete agreements	1,077,349	992,787	4.0 years
Trade names	3,467,656	3,241,232	12.5 years
Patents	<u>32,281</u>	<u>38,455</u>	10.0 years
	31,167,001	30,231,130	
Less accumulated amortization	<u>(6,802,217)</u>	<u>(7,341,203)</u>	
Intangible assets, net	<u>\$ 24,364,784</u>	<u>\$ 22,889,927</u>	

Amortization expense related to these intangible assets was \$446,860 and \$538,986 for the three months ended March 31, 2009 and 2010, respectively.

The estimated amortization expense for the next five years ended March 31, 2010 is as follows:

2011	\$ 2,742,779
2012	2,423,361
2013	2,255,761
2014	2,130,408
2015	1,240,455
Thereafter	<u>12,097,163</u>
	<u>\$22,889,927</u>

InnerWorkings, Inc.
Notes to Consolidated Financial Statements (Unaudited)—(Continued)

Fair Value of Financial Instruments

The Company accounts for its financial assets and liabilities that are measured at fair value within the financial statements in accordance with ASC 820, *Fair Value Measurements and Disclosure* (ASC 820). ASC 820 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles (GAAP) and expands disclosures about fair value measurements. In accordance with this interpretation, the Company has only applied ASC 820 with respect to its financial assets and liabilities that are measured at fair value within the financial statements. The Company's investments in cash equivalents, auction-rate securities and available-for-sale securities are carried at fair value. See Notes 5 and 6 for additional information on fair value measurements.

In accordance with ASC 825, *Financial Instruments* (ASC 825), which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value, the Company has elected to apply the fair value option to a put option relating to its auction-rate securities (refer to Note 7 for more information on auction-rate securities).

Stock-Based Compensation

Since January 1, 2006, the Company has accounted for nonvested equity awards in accordance with ASC 718, *Compensation -Stock Compensation*. Compensation expense is based on the difference, if any, on the grant date between the estimated fair value of the Company stock and the exercise price of the options to purchase that stock. The compensation expense is then amortized over the vesting period of the stock options. All stock-based compensation expense is recorded net of an estimated forfeiture rate. The forfeiture rate is based upon historical activity and is analyzed annually and as actual forfeitures occur.

During the three month periods ended March 31, 2009 and 2010, the Company issued 94,087 and 240,722 options, respectively, to various employees of the Company. In addition, during the three month periods ended March 31, 2009 and 2010, the Company granted 47,079 and 309,674 restricted common shares, respectively, to employees. During the three month periods ended March 31, 2009 and 2010, 113,192 and 31,133 options were exercised and restricted common shares vested, respectively. Using the Black-Scholes option valuation model and the assumptions listed below, the Company recorded \$919,755 and \$561,018 in compensation expense for the three month periods ended March 31, 2009 and 2010, respectively.

The following assumptions were utilized in the valuation for options granted in 2009 and 2010:

	<u>2009</u>	<u>2010</u>
Dividend yield	—%	—%
Risk-free interest rate	2.42%	3.14%
Expected life	7 years	7 years
Volatility	33.5%	47.5%

InnerWorkings, Inc.
Notes to Consolidated Financial Statements (Unaudited)—(Continued)

2. Earnings Per Share

Basic earnings per common share is calculated by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share is calculated by dividing net income by the weighted average shares outstanding plus share equivalents that would arise from the exercise of stock options and vesting of restricted common shares. During the three months ended March 31, 2009 and 2010, respectively, 2,885,910 and 3,026,040 options and restricted common shares were excluded from the calculation as these options and restricted common shares were anti-dilutive. The computations of basic and diluted earnings per common share for the three months ended March 31, 2009 and 2010 are as follows:

	Three Months Ended	
	March 31,	
	2009	2010
Numerator:		
Net income	\$ 248,411	\$ 2,168,127
Denominator:		
Denominator for basic earnings per share—weighted-average shares	45,399,786	45,652,208
Effect of dilutive securities:		
Employee stock options and restricted common shares	1,634,220	1,754,528
Denominator for dilutive earnings per share	47,034,006	47,406,736
Basic earnings per share	\$ 0.01	\$ 0.05
Diluted earnings per share	\$ 0.01	\$ 0.05

3. Comprehensive Income

	Three months ended	
	March 31,	
	2009	2010
Net income	\$ 248,411	\$ 2,168,127
Other comprehensive income:		
Unrealized gain (loss) on available-for-sale securities, net of tax	25,583	(314,443)
Foreign currency translation adjustment	(137,770)	(238,752)
Total comprehensive income	\$ 136,224	\$ 1,614,932

InnerWorkings, Inc.
Notes to Consolidated Financial Statements (Unaudited)—(Continued)

4. Related Party

Investment in Echo Global Logistics, Inc.

In February 2005, the Company acquired 2,000,000 shares of common stock of Echo Global Logistics, Inc. (Echo), a technology enabled transportation and logistics business process outsourcing firm, for \$125,000. Echo is a related party to the Company as a majority of the members of the Company's Board of Directors have a direct and/or indirect ownership interest in Echo.

On September 25, 2009, Echo completed a one-for-two reverse stock split of all outstanding shares of its capital stock and immediately following, recapitalized all outstanding shares into newly issued shares of common stock on approximately a one-for-one basis. Echo recapitalized its outstanding capital stock in connection with its initial public offering. At December 31, 2009, the Company owned 627,778 shares of Echo's common stock after the effects of the one-for-two reverse stock split and sales during the prior periods.

On March 31, 2010, the Company sold 55,000 of its shares Echo's common stock for \$726,820 and recorded a gain on sale of investment of \$723,382. Beginning September 30, 2009, the Company has classified this investment as "available for sale" and has recorded it at fair value, which is determined based on quoted market prices (refer to Note 5 for additional information on these securities). The gain on sale of investment is included in other income. The Company's investment in Echo was recorded at cost prior to the completion of Echo's initial public offering

Agreements and Services with Related Parties

In the ordinary course, the Company provides print procurement services to Echo. The total amount billed for such print procurement services during the three months ended March 31, 2010 was approximately \$7,500. The Company did not provide any print procurement services during the three months ended March 31, 2009. In addition, Echo has provided transportation services to the Company. As consideration for these services, Echo billed the Company approximately \$842,000 and \$1.6 million for the three months ended March 31, 2009 and 2010, respectively. The net amount payable to Echo at March 31, 2010 was \$244,651.

The Company has a supplier rebate program with Echo pursuant to which the Company receives an annual rebate on all freight expenditures in an amount equal to 3%, plus an additional 2% if paid within 15 days. Under the supplier rebate program, the Company received approximately \$4,900 and \$3,400 in rebates for the three months ended March 31, 2009 and 2010, respectively.

In August 2009, the Company entered into an agreement with Groupon pursuant to which it sub-leases a portion of the Company's office space in Chicago, and pays \$18,000 per month of the Company's lease payment and overhead expenses related to the space. Three members of the Company's Board of Directors, Eric P. Lefkofsky, John R. Walter and Peter J. Barris, are also directors of Groupon. In addition, these members have a direct and/or indirect ownership interest in Groupon. Groupon paid the Company \$54,000 under this agreement for the three months ended March 31, 2010.

5. Valuation of Equity Investments

As discussed in Note 1, Fair Value of Financial Instruments, the Company has applied ASC 820, *Fair Value Measurement and Disclosure* (ASC 820), to its financial assets and liabilities as of January 1, 2008. At March 31, 2010, the Company's financial assets primarily relate to their auction-rate securities and available-for-sale securities and are included in short-term investments. See Note 6 and 7 for additional information on auction rate securities.

The Company has classified its investment in Echo Global Logistics (Echo) as "available for sale" in accordance with ASC 320, *Investments – Debt and Equity Securities* in connection with Echo's initial public offering. The investment is stated at fair value based on market prices, with any unrealized gains and losses included as a separate component of stockholders' equity. Any realized gains and losses and interest and dividends will be included in other income. At March 31, 2010, the Company's investment in Echo, which has a cost basis of \$35,799, was carried at fair value of \$7,394,564. The unrealized gain of \$7,319,529 was included in other comprehensive income, net of tax of \$2,664,512.

InnerWorkings, Inc.
Notes to Consolidated Financial Statements (Unaudited)—(Continued)

6. Fair Value Measurement

ASC 820 includes a fair value hierarchy that is intended to increase consistency and comparability in fair value measurements and related disclosures. The fair value hierarchy is based on observable or unobservable inputs to valuation techniques that are used to measure fair value. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon its own market assumptions.

The fair value hierarchy consists of the following three levels:

- *Level 1:* Inputs are quoted prices in active markets for identical assets or liabilities.
- *Level 2:* Inputs are quoted prices for similar assets or liabilities in an active market, quoted prices for identical or similar assets or liabilities in markets that are not active, and inputs other than quoted prices that are observable and market-corroborated inputs, which are derived principally from or corroborated by observable market data.
- *Level 3:* Inputs that are derived from valuation techniques in which one or more significant inputs or value drivers are unobservable.

The Company has elected to apply the fair value guidance within ASC 825, *Financial Instruments* (ASC 825), as of October 1, 2008 to a put option relating to its auction-rate securities (refer to Note 7 for more information on auction-rate securities). The Company's investments in student loan auction-rate securities and the related put option are its only Level 3 assets. The fair values of these securities and related put option are estimated utilizing a discounted cash flow analysis as of March 31, 2010. This analysis considers, among other items, the collateral underlying the security investments, the creditworthiness of the counterparty, the timing of expected future cash flows, and the expectation of the next time the security is expected to have a successful auction. These securities were also compared, when possible, to other observable market data with similar characteristics to the securities held by the Company.

The following table sets forth the Company's financial assets and financial liabilities measured at fair value on a recurring basis and the basis of measurement at March 31, 2010:

	Total Fair Value Measurement	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets:				
Money market funds(1)	\$ 3,158,639	\$ 3,158,639	\$ —	\$ —
Auction rate securities(2)	11,152,001	—	—	11,152,001
Put option(2)	1,472,696	—	—	1,472,696
Available for sale securities(2)	7,394,563	7,394,563	—	—
Total assets	\$ 23,177,899	\$ 10,553,202	\$ —	\$ 12,624,697

(1) Included in cash and cash equivalents on the balance sheet.

(2) Included in short-term investments on the balance sheet.

InnerWorkings, Inc.
Notes to Consolidated Financial Statements (Unaudited)—(Continued)

The following table provides a reconciliation of the beginning and ending balances for the assets measured at fair value using significant unobservable inputs (Level 3):

	Fair Value Measurements at Reporting Date Using Significant Unobservable Inputs (Level 3)		
	Auction-Rate Securities	Put Option	Total
Balance at December 31, 2009	\$ 13,818,771	\$ 1,755,926	\$ 15,574,697
Gains in investments	283,230	(283,230)	—
Securities sold during the period (1)	(2,950,000)	—	(2,950,000)
Balance at March 31, 2010	\$ 11,152,001	\$ 1,472,696	\$ 12,624,697

(1) During the first quarter of 2010, \$ 2,950,000 in auction - rate securities were transferred out of Level 3 and into Level 1 as the securities were sold and the proceeds were reinvested into money market funds.

7. Auction-Rate Securities

At March 31 2010, the Company's short-term investments included \$11,152,001 in auction-rate securities ("ARS") and \$1,472,696 of the related put option.

During February 2008, liquidity issues in the global credit markets resulted in the failure of auctions, involving substantially all of the auction-rate securities (ARS) the Company holds. In October 2008, the Company entered into an agreement with UBS regarding its outstanding ARS. Under the agreement, the Company has the right to sell all of its outstanding ARS back to UBS at par value. The agreement allows the Company to exercise this non-transferable right starting June 30, 2010 and the right will expire on July 2, 2012. UBS also has the right to buy the ARS at par value from the Company at any time. By accepting this put option, the Company demonstrated it no longer has the intent to hold the related UBS-brokered ARS until they fully recover in value (including until contractual maturity, if necessary). Therefore, the decline in the fair value of the UBS-brokered ARS below their par value as of September 30, 2008 that was previously considered a temporary unrealized loss and included in other comprehensive income was considered other-than-temporary and was included in earnings as a realized loss, in accordance with ASC 320, *Investments—Debt and Equity Securities*, for the year ended December 31, 2008.

The Company has elected the fair value measurement option under ASC 825, *Financial Instruments* (ASC 825), for this asset. At March 31, 2010, the Company's ARS portfolio, which has a par value of \$12,675,000, was carried at fair value of \$11,152,001, while the related put option was carried at fair value of \$1,472,696. In the absence of observable market data, the Company used a discounted cash flow model to determine the estimated fair value of its ARS and related put option at March 31, 2010. Refer to Note 6 for additional information on the fair value of auction-rate securities and related put option.

8. Revolving Credit Facility

On May 21, 2008, the Company entered into a Credit Agreement with JPMorgan Chase, N.A that matures on May 21, 2011. The Credit Agreement provides for a senior secured revolving credit facility in an initial aggregate principal amount of up to \$75.0 million. Outstanding borrowings under the revolving credit facility are guaranteed by the Company's material domestic subsidiaries. The Company's obligations under the Credit Agreement and such domestic subsidiaries' guaranty obligations are secured by substantially all of their respective assets. Interest is payable at the adjusted LIBOR rate or the alternate base rate, as elected by the Company. The terms of the revolving credit facility include various covenants, including covenants that require the Company to maintain a maximum leverage ratio and a minimum interest coverage ratio. As of March 31, 2010, the Company was not in violation of any of these various covenants. The borrowings may be used for general corporate and working capital purposes of the Company and its subsidiaries in the ordinary course of business, for permitted acquisitions, for capital expenditures and for restricted payments, including the repurchase of shares of the Company's common stock, as permitted pursuant to the terms of the agreement. As of March 31, 2010, the Company had outstanding borrowings of \$46.5 million under this facility.

InnerWorkings, Inc.
Notes to Consolidated Financial Statements (Unaudited)—(Continued)

9. Income Taxes

The following table shows the Company's effective income tax rate for the three months ended March 31, 2009 and 2010:

	<u>Three months ended March 31,</u>	
	<u>2009</u>	<u>2010</u>
Income before taxes	\$ 403,564	\$ 3,335,580
Income tax expense	155,153	1,167,453
Effective tax rate	38.4%	35.0%

The Company's effective tax rate decreased from 38.4% to 35.0% for the three and months ended Mach 31, 2009 and 2010, respectively. The reduction in the effective tax rate is primarily due to a change in the mix of earnings and earnings generated by the Company's foreign operations which are taxed at a lower rate than the US statutory rate .

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Overview

We are a leading provider of print and promotional procurement solutions to corporate clients across a wide range of industries. We combine the talent of our employees with our proprietary technology, extensive supplier base and domain expertise to procure, manage and deliver printed products as part of a comprehensive outsourced enterprise solution. Our technology is designed to capitalize on excess manufacturing capacity and other inefficiencies in the traditional print supply chain to obtain favorable pricing and to deliver high-quality products and services for our clients.

Our proprietary software applications and database, PPM4™, create a fully-integrated solution that stores, analyzes and tracks the production capabilities of our supplier network, as well as quote and price data for each bid we receive and print job we execute. As a result, we believe PPM4™ contains one of the largest independent repositories of equipment profiles and price data for print suppliers in the United States. We leverage our technology to match each print job with the supplier that is optimally suited to meet the client's needs at a highly competitive price. Our procurement managers use PPM4™ to manage the print procurement process from end-to-end.

Through our supplier base of over 8,000 suppliers, we offer a full range of print, fulfillment and logistics services that allows us to procure printed products on virtually any substrate. The breadth of our product offerings and services and the depth of our supplier network enable us to fulfill all of the print procurement needs of our clients. By leveraging our technology platform, our clients are able to reduce overhead costs, redeploy internal resources and obtain favorable pricing and service terms. In addition, our ability to track individual transactions and provide customized reports detailing print procurement activity on an enterprise-wide basis provides our clients with greater visibility and control of their print expenditures.

We maintain sales offices in Illinois, New York, New Jersey, California, Hawaii, Michigan, Minnesota, Ohio, Texas, Pennsylvania, Georgia, Wisconsin, Missouri and the United Kingdom. We believe the opportunity exists to expand our business into new geographic markets. Our objective is to continue to increase our sales in the major print markets in the United States and Europe. We intend to hire or acquire more account executives within close proximity to these large markets. In addition, given that the print industry is a global business, over time we intend to evaluate opportunities to access attractive markets outside the United States.

Revenue

We generate revenue through the sale of printed products to our clients. Our revenue was \$112.2 million and \$94.3 million during the three months ended March 31, 2010 and 2009, respectively. Our revenue is generated from two different types of clients: enterprise and transactional. Enterprise jobs usually involve higher dollar amounts and volume than transactional jobs. We categorize a client as an enterprise client if we have a contract with the client for the provision of printing services on a recurring basis; if the client has signed an open-ended purchase order, or a series of related purchase orders; or if the client has enrolled in our e-stores program, which enables the client to make online purchases of printing services on a recurring basis. We categorize all other clients as transactional. We enter into contracts with our enterprise clients to provide some or a substantial portion of their printed products on a recurring basis. Our contracts with enterprise clients generally have an open-ended term subject to termination by either party upon prior notice ranging from 90 days to twelve months. Several of our larger enterprise clients have outsourced substantially all of their recurring print needs to us. We provide printed products to our transactional clients on an order-by-order basis. As of March 31, 2010, we had 179 enterprise clients. During the three months ended March 31, 2010, enterprise clients accounted for 70% of our revenue, while transactional clients accounted for 30% of our revenue.

Our revenue consists of the prices paid by our clients for printed products. These prices, in turn, reflect the amounts charged to us by our suppliers plus our gross profit. Our gross profit margin, in the case of some of our enterprise clients, is fixed by contract or, in the case of transactional clients, is negotiated on a job-by-job basis. Once either type of client accepts our pricing terms, the selling price is established and we procure the product for our own account in order to re-sell it to the client. We take full title and risk of loss for the product upon shipment. The finished product is typically shipped directly from the supplier to a destination specified by the client. Upon shipment, our supplier invoices us for its production costs and we invoice our client.

Our revenue from enterprise clients tends to generate lower gross profit margins than our revenue from transactional clients because the gross profit margins established in our contracts with large enterprise clients are generally lower than the gross profit margins we typically realize in our transactional business.

The print industry has historically been subject to seasonal sales fluctuations because a substantial number of print orders are placed for the year-end holiday season. We have historically experienced seasonal client buying patterns with a higher percentage of our revenue being earned in our third and fourth quarters. However, our recent new enterprise account wins, with more revenue concentrated during the first half of the year, are expected to alter this historical seasonality such that revenue will be more consistent through the quarters.

Cost of Goods Sold and Gross Profit

Our cost of goods sold consists primarily of the price at which we purchase products from our suppliers. Our selling price, including our gross profit, in the case of some of our enterprise jobs, is based on a fixed gross margin established by contract or, in the case of transactional jobs, is determined at the discretion of the account executive or procurement manager within predetermined parameters. Our gross margins on our enterprise jobs are typically lower than our gross margins on our transactional jobs. As a result, our cost of goods sold as a percentage of revenue for our enterprise jobs is typically higher than it is for our transactional jobs. Our gross profit for the three months ended March 31, 2010 and 2009 was \$26.9 million, or 24.0% of revenue, and \$23.0 million, or 24.4% of revenue, respectively.

Operating Expenses and Income from Operations

Our selling, general and administrative expenses consist of commissions paid to our account executives, compensation costs for our management team and procurement managers as well as compensation costs for our finance and support employees, public company expenses, corporate systems, legal and accounting, facilities and travel and entertainment expenses. Selling, general and administrative expenses as a percentage of revenue were 19.6% and 21.9% for the three months ended March 31, 2010 and 2009, respectively.

We accrue for commissions when we recognize the related revenue. Some of our account executives receive a monthly draw to provide them with a more consistent income stream. The cash paid to our account executives in advance of commissions earned is reflected as a prepaid expense on our balance sheet. As our account executives earn commissions, a portion of their commission payment is withheld and offset against their prepaid commission balance, if any. Our prepaid commission balance, net of accrued earned commissions not yet paid, increased to \$5.1 million as of March 31, 2010 from \$3.8 million as of March 31, 2009.

We agree to provide our clients with printed products that conform to the industry standard of a “commercially reasonable quality,” and our suppliers in turn agree to provide us with products of the same quality. In addition, the quotes we provide our clients include customary industry terms and conditions that limit the amount of our liability for product defects. Product defects have not had a material adverse effect on our results of operations.

Our income from operations for the three months ended March 31, 2010 and 2009 was \$2.8 million and \$896,000, respectively.

Comparison of three months ended March 31, 2010 and 2009

Revenue

Our revenue increased by \$17.9 million, or 19.0%, from \$94.3 million during the three months ended March 31, 2009 to \$112.2 million during the three months ended March 31, 2010. The revenue growth reflects an increase in both enterprise and transactional clients. Our revenue from enterprise clients increased by \$17.1 million, or 27.9%, from \$61.4 million during the three months ended March 31, 2009 to \$78.5 million during the three months ended March 31, 2010. As of March 31, 2010, we had 179 enterprise clients compared to 150 enterprise clients under contract as of March 31, 2009. Additionally, revenue from transactional clients increased by \$838,000, or 2.5%, from \$32.9 million during the three months ended March 31, 2009 to \$33.8 million during the three months ended March 31, 2010. The incremental transactional revenue is largely a result of improving same customer spend due to the improving economic condition.

Cost of goods sold

Our cost of goods sold increased by \$14.0 million, or 19.7%, from \$71.3 million during the three months ended March 31, 2009 to \$85.3 million during the three months ended March 31, 2010. The increase is a result of the revenue growth during the three months ended March 31, 2010. Our cost of goods sold as a percentage of revenue increased slightly from 75.6% during the three months ended March 31, 2009 to 76.0% during the three months ended March 31, 2010.

Gross Profit

Our gross profit as a percentage of revenue, which we refer to as gross margin, decreased from 24.4% during the three months ended March 31, 2009 to 24.0% during the three months ended March 31, 2010. The decrease is primarily the result of a higher concentration of our business coming from enterprise clients, which generate lower gross margins.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by \$1.4 million, or 6.7%, from \$20.6 million during the three months ended March 31, 2009 to \$22.0 million during the three months ended March 31, 2010. As a percentage of revenue, selling, general and administrative expenses decreased from 21.9% for the three months ended March 31, 2009 to 19.6% for the three months ended March 31, 2010. The decrease in selling, general and administrative expenses as a percentage of revenue is primarily the result of 2009 cost reduction actions.

Depreciation and amortization

Depreciation and amortization expense increased by \$622,000, or 41.6%, from \$1.5 million during the three months ended March 31, 2009 to \$2.1 million during the three months ended March 31, 2010. The increase in depreciation expense is primarily attributable to additions

of computer hardware and software, equipment and furniture and fixtures as well as amortization of the capitalized costs of internal use software.

Income from operations

Income from operations increased by \$1.9 million, or 213.8%, from \$896,000 during the three months ended March 31, 2009 to \$2.8 million during the three months ended March 31, 2010. As a percentage of revenue, income from operations increased from 1.0% during the three months ended March 31, 2009 to 2.5% during the three months ended March 31, 2010. The increase in income from operations as a percentage of revenue is a result of our decrease in selling and administrative expenses as a percentage of revenue.

Other income and expense

Other expense increased by \$1.0 million, or 206.7%, from other expense of \$492,000 for the three months ended March 31, 2009 to other income of \$525,000 during the three months ended March 31, 2010. The increase is due to the gain on sale of 55,000 shares we hold in Echo Global Logistics, Inc., a related party, for a gain of \$723,000, offset by a decrease in interest income of \$241,000. We did not sell any Echo shares during the three months ended March 31, 2009.

Income tax expense

Income tax expense increased by \$1.0 million from \$155,000 during the three months ended March 31, 2009 to \$1.2 million during the three months ended March 31, 2010. Our effective tax rate was 38.4% and 35.0% for the three month periods ended March 31, 2009 and 2010, respectively. The decrease in the effective tax rate for the three month period ended March 31, 2010 is primarily due to a change in the mix of earnings and earnings generated by the Company's foreign operations which are taxed at a lower rate than the US statutory rate .

Net income

Net income increased by \$1.9 million, or 772.8%, from \$248,000 during the three months ended March 31, 2009 to \$2.2 million during the three months ended March 31, 2010. Net income as a percentage of revenue increased from 0.3% during the three months ended March 31, 2009 to 1.9% during the three months ended March 31, 2010. The increase in net income as a percentage of revenue is due to our decrease in selling, general and administrative expenses as a percentage of revenue, decrease in our effective tax rate and gain on sale of Echo shares.

Liquidity and Capital Resources

At March 31, 2010, we had \$7.4 million of cash and cash equivalents and \$20.0 million in short-term investments, which includes approximately \$7.4 million in available-for-sale securities and \$12.6 million in auction-rate securities. In October 2008, we entered into an agreement with UBS regarding our outstanding auction-rate securities. Under the agreement, we have the right to sell all our outstanding auction-rate securities back to UBS at their par value. The agreement allows us to exercise this right starting June 30, 2010, and the right will expire June 30, 2012. As a result of this agreement, our auction-rate securities are classified as short-term investments at March 31, 2010.

Operating Activities. Cash provided by operating activities primarily consists of net income adjusted for certain non-cash items, including depreciation and amortization, and the effect of changes in working capital and other activities. Cash provided by operating activities for the three months ended March 31, 2010 was \$4.2 million and primarily consisted of higher earnings offset by \$1.8 million used by working capital and other activities. The most significant impact on working capital and other activities consisted of an increase in accounts receivable and unbilled revenue of \$11.8 million and an increase in accounts payable of \$10.4 million, offset by a decrease in customer deposits of \$2.1 million, a decrease in inventories of \$1.9 million and a decrease in accrued expenses and other of \$1.1 million.

Cash provided by operating activities for the three months ended March 31, 2009 was \$7.7 million and primarily consisted of earnings and \$3.8 million provided by working capital and other activities. The most significant impact on working capital and other activities consisted of a decrease in unbilled revenue of \$4.0 million and an increase in accounts payable of \$13.7 million offset by a decrease in accrued expenses and other liabilities of \$10.3 million.

Investing Activities. Cash provided by investing activities in the three months ended March 31, 2010 of \$191,000 was attributable to the proceeds on sale of marketable securities of \$2.7 million and proceeds on sale of Echo shares of \$727,000, offset by capital expenditures of \$1.4 million, a \$1,725,000 payment to seller and \$59,000 in payments made in connection with acquisitions.

Cash used in investing activities in the three months ended March 31, 2009 of \$6.1 million was attributable to the \$3.8 million in payments made in connection with our acquisitions completed during the three months ended March 31, 2009 and capital expenditures of \$2.4 million.

Financing Activities. Cash provided by financing activities in the three months ended March 31, 2010 of \$76,000 was primarily attributable to the \$92,000 of borrowings under the revolving credit facility, offset by \$16,000 in principal payments made on capital leases.

Cash used in financing activities in the three months ended March 31, 2009 of \$477,000 was primarily attributable to the repayment of \$590,000 of borrowings under our revolving credit facility, offset by \$100,000 in tax benefit of stock options exercised.

We have a \$75.0 million revolving credit facility with JPMorgan Chase Bank, N.A that matures on May 21, 2011. We had \$46.5 million in outstanding borrowings under this facility as of March 31, 2010. Outstanding borrowings under the revolving credit facility are guaranteed by our material domestic subsidiaries and interest is payable at the adjusted LIBOR rate or the alternate base rate, as elected by us. The terms of the revolving credit facility include various covenants, including covenants that require us to maintain a maximum leverage ratio and a minimum interest coverage ratio. As of March 31, 2010, we were not in violation of any of these various covenants. Outstanding borrowings may be used for general corporate and working capital purposes of the Company and our subsidiaries in the ordinary course of business, for permitted acquisitions, for capital expenditures and for restricted payments, including the repurchase of shares of our common stock, as permitted pursuant to the terms of the agreement.

Although we can provide no assurances, we believe that our available cash and cash equivalents and amounts available under our revolving credit facility should be sufficient to meet our working capital and operating expenditure requirements for the foreseeable future. Thereafter, we may find it necessary to obtain additional equity or debt financing. In the event additional financing is required, we may not be able to raise it on acceptable terms or at all.

Off-Balance Sheet Obligations

We do not have any off-balance sheet arrangements.

Contractual Obligations

With the exception of the contingent consideration in connection with our business acquisitions discussed in Note 1 in the Notes to the Consolidated Financial Statements, there have been no material changes outside the normal course of business in the contractual obligations disclosed in Item 7 to our Annual Report on Form 10-K for the fiscal year ended December 31, 2009, under the caption “Contractual Obligations.”

Critical Accounting Policies and Estimates

As of March 31, 2010, there were no material changes to the Company’s critical accounting policies and estimates disclosed in its Form 10-K for the year ended December 31, 2009.

Recent Accounting Pronouncements

In January 2010, the FASB issued ASU No. 2010-6, *Improving Disclosures About Fair Value Measurements*, that amends existing disclosure requirements under ASC 820 by adding required disclosures about items transferring into and out of levels 1 and 2 in the fair value hierarchy; adding separate disclosures about purchase, sales, issuances, and settlements relative to level 3 measurements; and clarifying, among other things, the existing fair value disclosures about the level of disaggregation. This ASU is effective for the first quarter of 2010, except for the requirement to provide level 3 activity of purchases, sales, issuances, and settlements on a gross basis, which is effective beginning the first quarter of 2011. Because this standard impacts disclosure requirements only, its adoption did not have any impact on the Company’s consolidated results of operations or financial condition.

Forward-Looking Statements

This Quarterly Report on Form 10-Q, including Management’s Discussion and Analysis of Financial Condition and Results of Operations, contains words such as “may,” “will,” “believe,” “expect,” “anticipate,” “intend,” “plan,” “project,” “estimate” and “objective” or the negative thereof or similar terminology concerning the Company’s future financial performance, business strategy, plans, goals and objectives. These expressions are intended to identify forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include information concerning our possible or assumed future performance or results of operations and are not guarantees. While these statements are based on assumptions and judgments that management has made in light of industry experience as well as perceptions of historical trends, current conditions, expected future developments and other factors believed to be appropriate under the circumstances, they are subject to risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different. Some of the factors that would cause future results to differ from the recent results or those projected in forward-looking statements include, but are not limited to, the risk factors described in our Annual Report on Form 10-K for the year ended December 31, 2009.

Additional Information

We make our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, other reports and information filed with the SEC and amendments to those reports available, free of charge, through our Internet website (<http://www.inwk.com>) as soon as reasonably practical after we electronically file or furnishes such materials to the SEC. All of our filings may be read or copied at the SEC’s Public Reference Room at 450 Fifth Street, NW, Washington, DC 20549. Information on the operation of the Public Filing Room can be obtained by calling the SEC at 1-800-SEC-0330. The SEC maintains an Internet website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding issuers that file electronically.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Commodity Risk

We are dependent upon the availability of paper, and paper prices represent a substantial portion of the cost of our products. The supply and price of paper depend on a variety of factors over which we have no control, including environmental and conservation regulations, natural disasters and weather. We believe a 10% increase in the price of paper would not have a significant effect on our consolidated statements of income or cash flows, as these costs are generally passed through to our clients.

Interest Rate Risk

We have exposure to changes in interest rates on our revolving credit facility. Interest is payable at the adjusted LIBOR rate or the alternate base. Assuming our \$75.0 million revolving credit facility was fully drawn, a 1.0% increase in the interest rate would increase our annual interest expense by \$750,000. The terms of the revolving credit facility include various covenants, including covenants that require us to maintain a maximum leverage ratio and a minimum interest coverage ratio. Outstanding borrowings may be used for general corporate and working capital purposes in the ordinary course of business, for permitted acquisitions, for capital expenditures and for restricted payments, including the repurchase of shares of our common stock, as permitted pursuant to the terms of the revolving credit facility.

Our interest income is sensitive to changes in the general level of US interest rates, in particular because all of our investments are in cash equivalents and marketable securities.

Foreign Currency Risk

A portion of our sales and earnings are attributable to operations conducted outside of the US. The US dollar value of sales and earnings of these operations varies with currency exchange rate fluctuations. We believe a 10% fluctuation in the currency exchange rate would not have a significant effect on the Company's consolidated statements of income or cash flows.

We do not use derivative financial instruments.

Item 4. Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures as of March 31, 2010. The term "disclosure controls and procedures," as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Securities Exchange Act of 1934 (the "Exchange Act") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives and management necessarily applies its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Based on the evaluation of our disclosure controls and procedures as of March 31, 2010, our chief executive officer and chief financial officer concluded that, as of such date, the Company's disclosure controls and procedures were effective at the reasonable assurance level.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the first quarter ended March 31, 2010 that has materially affected or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We are not a party to any legal proceedings that we believe would have a material adverse effect on our business, financial condition or operating results.

Item 1A. Risk Factors

There have been no material changes in the risk factors described in Item 1A (“Risk Factors”) of the Company’s Annual Report on Form 10-K for the year ended December 31, 2009.

Item 6. Exhibits

<u>Exhibit No</u>	<u>Description of Exhibit</u>
10.1	Employment Agreement dated July 5, 2007 by and between InnerWorkings, Inc. and Jan Sevcik, as amended.
10.2	Employment Agreement dated October 1, 2007 by and between InnerWorkings, Inc. and Jonathan Shean.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

INNERWORKINGS, INC.

Date: May 10, 2010

By: /s/ Eric D. Belcher
Eric D. Belcher
Chief Executive Officer

Date: May 10, 2010

By: /s/ Joseph M. Busky
Joseph M. Busky
Chief Financial Officer

EXHIBIT INDEX

<u>Number</u>	<u>Description</u>
10.1	Employment Agreement dated July 5, 2007 by and between InnerWorkings, Inc. and Jan Sevcik, as amended.
10.2	Employment Agreement dated October 1, 2007 by and between InnerWorkings, Inc. and Jonathan Shean.
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this “Agreement”) is entered into as of July 5, 2007, (the “Effective Date”) by and between Inkchaser, Inc., a Delaware corporation (the “Company”), and Jan Sevcik (the “Employee”).

RECITALS

A. WHEREAS, pursuant to that certain Share Purchase Agreement (the “Purchase Agreement”), dated as of July 5, 2007, by and between InnerWorkings, Inc., a Delaware corporation (“InnerWorkings”), and all of the shareholders of the Company including the Employee, the shareholders have agreed to sell and InnerWorkings has agreed to purchase all of the issued and outstanding shares of stock of the Company (the “Transaction”);

B. WHEREAS, following the consummation of the Transaction, the Company will become a wholly owned subsidiary of Innerworkings; and

C. WHEREAS, the execution and delivery of this Agreement is a condition precedent to the consummation of the Transaction; and

D. WHEREAS, as a shareholder of the Seller, Employee will derive substantial benefits from the Transaction and under this Agreement.

NOW, THEREFORE, in consideration of the premises and mutual agreements set forth herein, and upon the terms and subject to the conditions contained in this Agreement, Employee and the Company agree as follows:

Section 1. Definitions.

1.1 General. Unless otherwise defined herein, capitalized terms used herein shall have the meanings assigned thereto in the Purchase Agreement.

1.2 Specified Terms.

“Affiliate” shall mean, with respect to any Person, (i) all individuals or entities controlling, controlled by or under common control with such Person, and (ii) all predecessors, successors and assigns of the Persons identified in clauses (i) and (ii).

“Person” shall mean any natural person, corporation, limited liability company, partnership, firm, joint venture, joint-stock company, trust, association, unincorporated entity or organization of any kind, any governmental, regulatory or administrative authority, whether foreign federal, state or local, or any other entity of any kind..

Section 2. Employment.

2.1 Term. The Company shall employ Employee, and Employee shall serve the Company, for a continuous term beginning on the Effective Date and, unless sooner terminated pursuant to the provisions of this Agreement, ending three years later on June 30, 2010 (the “Initial Term”). The Company and Employee may elect to extend the term of this Agreement for such additional periods and on such terms and conditions as they mutually determine in writing. The period during which Employee is employed by the Company pursuant to the terms of this Agreement is hereinafter referred to as the “Term of Employment”.

2.2 Duties.

(a) Capacity. Employee shall be employed as Senior Vice President, Technology and E-Commerce of the Company and Employee shall serve as General Manager of InnerWorkings’ internet sales channel and perform the responsibilities and duties that are usual and commensurate with the position of a general manager of a business unit or division of a company. In addition, Employee shall perform such other reasonable managerial responsibilities and duties as may be reasonably be assigned to him hereafter from time to time by InnerWorkings, as the parent of the Company, or it’s designee, consistent with his historical responsibilities and duties and his position in the Company. Employee shall use his reasonable best efforts to perform his duties and responsibilities in a diligent, businesslike and efficient manner. Employee acknowledges and agrees that any change in his position or title with the Company shall not cause this Agreement to terminate, except to the extent provided in Section 3.1(e), and shall not effect any change in his obligations under this Agreement.

(b) Performance. Employee shall be employed on a full-time basis and shall devote his best efforts and all of his business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company. Employee shall use his reasonable best efforts to render his services in a manner consistent in all material respects with any reasonable policies or procedures established by the Company or InnerWorkings from time to time and made known to Employee. Notwithstanding the foregoing, Employee shall be permitted to engage in charitable and civic activities and manage his personal passive investments, provided that such activities (individually or collectively) do not materially interfere with the performance of his duties or responsibilities under this Agreement.

(c) Exclusivity. Employee agrees that during the Term of Employment he will devote his reasonable best efforts to the performance of his duties and the advancement of the Company and shall not engage in any other employment, profitable activities, or other pursuits which would cause him to utilize or disclose the Company’s confidential information or trade secrets or detract in any material way from his ability to devote his reasonable best efforts to the Company.

2.3 Compensation. As compensation for the services to be rendered and the other obligations undertaken by Employee under this Agreement, the Company shall pay Employee the compensation set forth in this Section 2.3:

(a) Salary. During the Term of Employment, the Company shall pay Employee a base salary (the “Base Salary”) at the annual rates of of \$75,000 for the first six (6) months of the Initial Term, \$100,000 for the second six (6) months of the Initial Term and \$125,000 thereafter. The Base Salary shall be payable in equal bi-weekly installments or in accordance with the Company's policies in effect from time to time for salaried employees.

(b) Sales Commission.

(i) In addition to the Base Salary, and the benefits described in this Section 2.3, the Company shall pay Employee a sales commission (the “Commission”) equal to ten percent (10%) of the total Gross Profit earned from all Approved Accounts during each calendar month of the Term of Employment; provided, that if the Company, with the written consent of Employee, pays or agrees to pay a sales commission to any Person other than Employee (including without limitation, any other current or future employee or sales Person of the Company) with respect to any Approved Account, then the Company shall reduce the Commission payable to Employee with respect to such Approved Account by an amount equal to the sales commission(s) paid or payable to such other Person(s) with respect to such Approved Account. The Company shall pay Employee any Commission earned for each applicable calendar month within 15 (fifteen) days after the end of such calendar month.

(ii) Each new customer account of which the Employee was the principal procuring cause shall constitute an “Approved Account” in the event that InnerWorkings determines that such customer account was obtained by Employee pursuant to the policies and procedures used by InnerWorkings with respect to InnerWorkings' sales personnel (as such policies and procedures may be supplemented or amended from time to time) for customary services to be rendered by InnerWorkings. Employee may make written request for approval of a new customer account as an Approved Account and InnerWorkings shall approve such customer account if it reasonably determines that such customer account satisfies InnerWorkings' then existing policies and procedures for accepting new customer accounts. Without limitation on the foregoing, InnerWorkings shall have the sole authority to determine to whom the Company will extend credit, and Employee shall have no recourse against the Company with respect to any credit decision made by InnerWorkings. Upon written approval of a prospective account by the Company, such account shall become an “Approved Account” commissionable under sub-paragraph (ii) above. In the event that any Approved Account does not produce commissions within any 180-day period, such Approved Account shall automatically cease to be an Approved Account unless the Company and Employee otherwise agree in writing.

(iii) If the Company collects revenues after the Term of Employment relating to the sales generated on the Approved Accounts during the Term of Employment, then the Company shall pay Employee the Commission on such sales. If the Term of Employment of Employee is terminated, as set forth in Section 3.1 hereto, by the Company without Cause, by Employee for Good Reason or by reason of the death or Disability of Employee, then the Company shall continue to pay the Commission to Employee for the period of time set forth in Section 3.2(a)(i), Section 3.2(b)(iv) or Section 3.2(b)(iii), as applicable, as if he remained an employee of the Company.

(iv) The Company shall provide to Employee copies of such records and work papers created in connection with the calculations of Gross Profit and/or any Commissions hereunder which are reasonably required to support such calculation. The parties hereto agree that the dispute procedures as set forth in Sections 4(b) and 4(c) of the Purchase Agreement with respect to the applicable calculation of Gross Profit are incorporated herein, except the term Seller as used therein shall mean Employee.

(e) Vacation. During the Term of Employment, Employee shall be entitled to three (3) weeks paid vacation annually, and shall be entitled to as many holidays, sick days and personal days as are in accordance with the Company's policy then in effect generally for its employees.

(f) Additional Benefits. Employee shall receive all general benefits for which he is eligible under the terms of any plans, programs or arrangements, if any, that the Company or InnerWorkings may provide from time to time ("Additional Benefits"). Additional Benefits, if any, will in all respects be paid in accordance with the then-existing plans, or policies, programs and/or arrangements establishing or governing such Additional Benefits.

(g) Expenses. The Company agrees to pay or to reimburse Employee for all reasonable, ordinary, necessary, preapproved and documented business or entertainment expenses incurred during the Term of Employment in the performance of his services hereunder in accordance with the policy of the Company as from time to time in effect. Employee, as a condition precedent to obtaining such payment or reimbursement, shall provide to the Company any and all statements, bills or receipts evidencing the travel or out-of-pocket expenses for which Employee seeks payment or reimbursement, and any other information or materials, as the Company may from time to time reasonably require.

(h) Option Grant. On the Effective Date, Employee shall be granted an option to purchase up to 20,000 shares of common stock of InnerWorkings (the "Option Shares") pursuant to the terms and conditions of the InnerWorkings, Inc. 2006 Stock Incentive Plan (the "Option Plan") and the terms of an option grant agreement executed by InnerWorkings and Employee. Without limiting the foregoing, the exercise price for each Option Share shall be the fair market value of the common stock of InnerWorkings as determined in accordance with the Plan, and 5000 Option Shares shall vest on each anniversary of the Effective Date so long as Employee continues to be employed by the Company or InnerWorkings as of such anniversary date.

(i) Relocation Allowance. The Company will promptly reimburse the Employee for relocation expenses incurred by the Employee in moving his residence from Seattle to Chicago, to a maximum of \$12,500.

Section 3. Termination of Employment.

3.1 Right to Terminate.

(a) Death. Employee's employment by the Company shall terminate upon Employee's death.

(b) Disability. In the event that Employee, because of accident, disability or physical or mental illness (“Disability”), is incapable of performing his duties under this Agreement in substantially the manner and to the extent required, with or without reasonable accommodation, prior to the commencement of such Disability, the Company has the right at the end of the 90 day period referred to below, to terminate Employee's employment upon thirty (30) days prior written notice to Employee, provided that at the time such termination notice is given Employee's Disability is continuing. For purposes of this Section 3.1(b), Employee shall be deemed to be incapable of performing his duties under this Agreement if he is (i) incapable of so doing, with or without reasonable accommodation, for periods aggregating 90 days, whether or not continuous, in any continuous period of 365 days or (ii) adjudged mentally incompetent by a court of competent jurisdiction.

(c) Cause.

(i) The Company has the right to terminate Employee's employment for Cause (as hereinafter defined) at any time upon written notice to Employee.

(ii) “Cause” shall mean any of the following: (A) the embezzlement, fraud, misappropriation, or other criminal malfeasance by Employee against or with respect to the Company or any of its Affiliates or the conviction of any felony or any other crime involving dishonesty, theft, fraud, or moral turpitude (or a plea of nolo contendere with respect to any such crime or felony); (B) Employee engages in gross negligence or willful misconduct in the performance of his employment duties; (C) Employee engages in willful misconduct that reflects so seriously on his or the Company's public reputation as to prejudice the interests of the Company or any of its Affiliates if he were to continue to be retained as one of its employees; (D) any act of insubordination with respect to reasonable directions given the Employee by his superior; or (E) the breach by Employee of any material provision of this Agreement, which breach or failure is not cured by Employee after fifteen (15) days prior written notice specifying the nature of the breach or is not capable of being cured. For purposes of this provision, no act or omission on the part of Employee shall be considered "gross negligence" or "willful misconduct" unless it is done or omitted in bad faith and without reasonable belief that such conduct was in the best interests of the Company.

(d) Without Cause. The Company has the right to terminate Employee's employment by the Company for any other reason not specified in this Section 3.1 upon thirty (30) days prior written notice to Employee.

(e) Good Reason.

(i) Employee has the right to terminate his employment for Good Reason (as hereinafter defined) at any time upon prior written notice.

(ii) A termination shall be deemed to be for "Good Reason" if (A) it follows a material reduction of Employee's duties and responsibilities in his capacity as Senior Vice President, Technology and E-Commerce of the Company or a permanent change in Employee's duties and responsibilities which are materially inconsistent with the duties and responsibilities of Senior Vice President, Technology and E-Commerce of the Company, which reduction or change is not cured within thirty (30) days of the receipt by the Company of written notice by Employee stating the nature of such breach (provided, that any such notice also must include a statement that failure to cure any such reduction or change may result in a termination by Employee of his employment for Good Reason), or (B) it follows a material breach of this Agreement (which shall include, without limitation, a reduction in Employee's Base Salary) by the Company which is not curable, or if curable, is not cured within thirty (30) days of the receipt by the Company of written notice by Employee stating the nature of such breach provided, that any such notice also must include a statement that failure to cure any such breach may result in a termination by Employee of his employment for Good Reason.

(f) Mutual Agreement. The Company and Employee may terminate Employee's employment at any time by written agreement of the parties.

3.2 Rights and Obligations of Employee Upon Termination.

(a) Without Cause or For Good Reason. Upon the termination of the Term of Employment by the Company without Cause or by Employee for Good Reason, the Company shall:

(i) continue to pay Commissions to Employee as set forth in Section 2.3(d)(i) for a period of 90 (ninety) days following the effective date of termination (the "Severance Period");

(ii) continue to pay the Employee's Base Salary when otherwise payable through Severance Period;

(iii) pay within five (5) business days after the date of termination, any unpaid reimbursable expenses outstanding as of the date of termination;

(iv) pay all benefits (including all accrued but unpaid vacation pay), if any, that had accrued to Employee through the date of termination under the benefit and retirement plans and programs in which he participated as an employee of the Company in the manner and in accordance with the terms of such plans and programs; and

(v) continue participation for Employee and his eligible dependents on the same basis (except all premiums shall be paid by the Company) as the other senior executives of the Company in all, medical, dental, disability and life insurance coverage (such benefits collectively called the “Continued Plans”) in which he was participating on the date of termination (as such Continued Plans are from time to time in effect at the Company) until the end of the Severance Period; provided, however, if Employee is precluded from continuing his participation in any Continued Plan, then, during the Severance Period, the Company will be obligated to reimburse him for any payments made by Employee in order to maintain his rights granted by the Consolidated Omnibus Budget Reconciliation Act (“COBRA”).

(b) Other Termination Events . Upon the termination of the Term of Employment by the Company for Cause, by Employee for any reason (other than for Good Reason), or by reason of his death or Disability, the Company shall have no further obligations under this Agreement, except the Company shall:

(i) pay Employee his unpaid Base Salary through, and any unpaid reimbursable expenses outstanding as of, the date of termination;

(ii) pay all benefits (including all accrued but unpaid vacation pay), if any, that had accrued to Employee through the date of termination under the benefit and retirement plans and programs in which he participated as an employee of the Company in the manner and in accordance with the terms of such plans and programs;

(iii) in the case of termination by reason of Employee's death or Disability, continue to pay Commissions to Employee as set forth in Section 2.3(b)(i) hereto until the earlier to occur of (a) the end of the Term of Employment in effect immediately prior to Employee's termination and (b) the six (6) month anniversary of Employee's termination;

(iv) in the case of termination by the Company for Cause or by Employee for any reason (other than for Good Reason), pay Commissions to Employee as set forth in Section 2.3(b)(i) hereto through the date of termination; and

(v) afford Employee such rights granted by COBRA.

(c) Return or Destruction . Upon termination of the Term of Employment, Employee shall not remove from any premises at which the business of the Company is conducted any property of the Company, including without limitation, any trade secrets or other confidential information, and shall return all the property of the Company, including, without limitation, all tangible embodiments of the trade secrets or other confidential information, in his possession or under his control.

Section 4. Covenants and Obligations.

4.1 Non-Competition.

(a) During the Term of Employment and for 4 (four) years after the expiration or termination of the Term of Employment, Employee shall not engage or participate as an owner, principal, partner, officer or director in any business which is competitive with the business of the Company and its subsidiaries as conducted (or contemplated to be conducted) during the Term of Employment, including, without limitation, such business that is conducted in any geographic area in which the Company's business is conducted (or contemplated to be conducted); provided, however, that ownership by Employee, as a passive investment, of less than 1% of the outstanding shares of capital stock of any corporation listed on a national securities exchange or publicly traded in an over-the-counter market shall not constitute a breach of this Section 4.1.

(b) During the Term of Employment and for 4 (four) years after the expiration or termination of the Term of Employment Employee will not, directly or indirectly, assist or encourage any other Person in carrying out, directly or indirectly, any activity that would be prohibited by the provisions of this Section 4.1 if Employee himself carried out such activity, either directly or indirectly, and further, Employee shall not, directly or indirectly, induce or assist any employee or former employee of the Company to carry out, directly or indirectly, any such activity.

4.2 Non-Solicitation of Business Relations. During the Term of Employment and for 4 (four) years after the expiration or termination of the Term of Employment Employee shall not, directly or indirectly, on his own behalf or in the service or on behalf of others: (a) solicit, divert or appropriate, or attempt to solicit, divert or appropriate any (i) account to whom the Company rendered services to within the two (2) year period prior to the expiration or termination of Employee's employment; (ii) any supplier, licensor, licensee or other vendor (including, without limitation, other Persons with whom the Company has contractual or other arrangements to provide services for the Company) who has been a supplier, licensor, licensee or other vendor of the Company during the two (2) year period prior to the expiration or termination of the Term of Employment in connection with a business that is competitive with the Business; or (iii) any prospective account to whom during the two (2) year period prior to the expiration or termination of the Term of Employment the Company or any of its agents or representatives made a new business presentation or similar offering of services with respect to the rendering of services ("Pitch"); provided, however, a general mailing or an incidental contact shall not be deemed a Pitch; or (b) take any action to induce any supplier, licensor, licensee or other vendor of the Company from ceasing to do business with the Company.

4.3 Non-Solicitation of Employees. During the Term of Employment and for 4 (four) years after the expiration or termination of the Term of Employment, Employee shall not, directly or indirectly, on his own or in the service or on behalf of others solicit, divert or hire, or attempt to solicit, divert or hire any Person then employed by the Company.

4.4 Non-Disclosure of Confidential Information.

(a) As used in this Agreement, “Confidential Information,” shall mean any and all confidential and proprietary technical and non-technical information of the Company, including patent, copyright, trade secret, and proprietary information, techniques, sketches, drawings, models, inventions, know-how, processes, apparatus, equipment, algorithms, software programs, software source documents, and formulae related to the current, future and proposed products and services of the Company and the Company’s suppliers and customers, and includes, without limitation, innovations, tangible and intangible property, the Company’s information concerning research, experimental work, development, design details and specifications, engineering, financial information, procurement requirements, purchasing manufacturing, customer lists, business forecasts, vendors, supplier agreements, sales, merchandising and marketing plans and information.

(b) During the Term of Employment and for 4 (four) years after the expiration or termination of the Term of Employment, Employee shall hold and safeguard the Confidential Information in trust for the Company, its successors and assigns and agrees that he shall not use, without the prior written consent of the Company, for Employee’s own benefit or purposes or misappropriate or disclose or make available to any Person for use outside the Company’s organization at any time, either during his employment with the Company or subsequent to the termination of his employment with the Company during the 24-month period following such termination, for any reason, any of the Confidential Information or any copy, notes or item embodying Confidential Information, whether or not developed by Employee, except (i) as required in the performance of Employee’s employment duties and as authorized by the Company and (ii) to the extent that such information (A) is or becomes generally available to the public or the industry other than as a result of a disclosure by Employee in violation of this Agreement or (B) is required to be disclosed pursuant to a court order or other legal process (provided Employee gives the Company notice of such obligation when Employee receives notice of such obligation and prior to any disclosure pursuant to such obligation affords the Company the opportunity and cooperates with the Company in any efforts by the Company to limit the scope of such obligation and/or to obtain confidential treatment of any material disclosed pursuant to such obligation).

4.5 Acknowledgement. Employee acknowledges and agrees that the covenants, obligations and restrictions set forth in this Section 4 are reasonable in scope and essential to the preservation of the Company’s business and proprietary properties, are fair in view of the fact that the Employee, as a shareholder of the corporation that sold its business to the Company profited from the sale, and that enforcement of these restrictions will not cause Employee any hardship, and because of Employee’s background and experience, will not in any manner preclude Employee, in the event of a termination of this Agreement, from becoming gainfully employed.

Section 5. Miscellaneous.

5.1 Amendment. This Agreement may be amended only by a writing executed by the parties to this Agreement.

5.2 Entire Agreement. This Agreement and the other agreements referred to in this Agreement set forth the entire understanding of the parties regarding this subject matter and supersede all prior contracts, agreements, arrangements, communications, discussions, representations and warranties, whether oral or written, between the parties (or between Employee and InnerWorkings) regarding this subject matter.

5.3 Notices. All notices and other communications required or permitted under this Agreement will be in writing and will be deemed to have been duly given when delivered in Person or when sent by electronic facsimile transfer or one business day after having been sent by a nationally recognized overnight courier service to the appropriate party at the address specified below:

If to the Company:	600 West Chicago, Suite 850 Chicago, Illinois 60610 Attention: President
With copies to:	InnerWorkings, Inc 600 West Chicago, Suite 850 Chicago, Illinois, 60610 Attention: Chief Financial Officer
If to Employee:	Jan Sevcik

Any party may change such party's address for service of notice by notice delivered to all of the other parties.

5.4 Assignment. This Agreement is binding upon and inures to the benefit of the heirs, successors, representatives and assigns of each party. Neither party hereto may assign this Agreement or any rights or obligations hereunder without the prior written consent of the other party hereto, except that either the Company or InnerWorkings may assign this Agreement without the consent of Employee to any Affiliate of the Company or to any Person to whom the Company sells the business and substantially all of its assets; provided, that such assignment does not otherwise breach the terms of employment set forth in this Agreement.

5.5 Governing Law. THIS AGREEMENT AND ALL RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REFERENCE TO ANY CONFLICTS OR CONFLICT OF LAWS PRINCIPLES IN THE STATE OF ILLINOIS THAT WOULD RESULT IN THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION.

5.6 Severability. Each section and subsection of this Agreement constitutes a separate and distinct provision of this Agreement. It is the intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applicable in each jurisdiction in which enforcement is sought. Accordingly, if any provision of this Agreement is adjudicated to be invalid, ineffective or unenforceable, the remaining provisions will not be affected by such adjudication. The invalid, ineffective or unenforceable provision, without further action by the parties, will be automatically amended to effect the original purpose and intent of the invalid, ineffective or unenforceable provision; provided, however, that such amendment will apply only with respect to the operation of such provision in the particular jurisdiction with respect to which such adjudication is made.

5.7 Waivers. None of the terms of this Agreement will be deemed to be waived or amended by either party unless such a waiver or amendment specifically references this Agreement and is in writing signed by an authorized representative of the party to be bound. Any such signed waiver will be effective only in the specific instance and for the specific purpose for which it was made or given.

5.8 Headings. The headings in this Agreement are solely for convenience of reference and are not to be given any effect in the construction or interpretation of this Agreement.

5.9 Counterparts. This Agreement may be executed in counterparts, each of which will be deemed to be an original and which together will constitute one and the same instrument.

5.10 Third Parties. Nothing expressed or implied in this Agreement is intended, or may be construed, to confer upon or give any Person other than the Company and Employee (and their respective heirs, representatives, successors and assigns) any rights or remedies under, or by reason of, this Agreement.

5.11 Survival of Certain Obligations. The obligations of the Company and Employee set forth in this Agreement that by their terms extend beyond or survive the termination of this Agreement will not be affected or diminished in any way by the termination of the Term of Employment.

5.12 Dispute Resolution .

(a) The parties agree that in the event of any dispute or controversy among the parties hereto arising out of, relating to or in connection with this Agreement (other than any dispute or controversy arising out of, relating to or in connection with Section 4 hereof), which cannot be settled amicably by the parties, such dispute or controversy shall be finally, exclusively and conclusively resolved by binding arbitration conducted in Chicago, Illinois in accordance with the rules of American Arbitration Association (“AAA”) rules for employment disputes, applying the laws of Illinois.

(b) One arbitrator shall be appointed in accordance with the rules of the AAA, which arbitrator shall be shall be experienced in dispute resolution regarding employment matters and shall be appointed within ten (10) days of a petition by either party therefore. Either party may institute such arbitration proceeding by giving notice to the other party. As soon as the arbitrator has been appointed, a hearing date shall be set within sixty (60) days thereafter. Discovery shall not be permitted except as required by the rules of the AAA. The parties shall conduct fact discovery over the first twenty (20) days of such 60-day period, including expert witness discovery, if any. Each party shall make its respective, documents, experts and other witnesses available for deposition by the other party during the time periods set forth in the preceding sentence. The number of depositions shall be limited to five (5) for each party. Written submittals shall be presented and exchanged by both parties twenty (20) days before the hearing date, including reports prepared by experts upon whom either party intends to rely. At such time the parties shall also exchange copies of all final documentary evidence upon which they will rely at the arbitration hearing and a list of the witnesses whom they intend to call to testify at the hearing. The arbitrator shall make its award as promptly as practicable after conclusion of the hearing.

(c) The arbitrator shall be bound by the rules of evidence, but shall not be bound by the rules of civil procedure. It is the intention of the parties to limit live testimony and cross-examination to the extent necessary to insure a fair hearing to the parties on the matters submitted to arbitration, and to provide neither party more than two (2) business days to present its position. The parties have included the foregoing provisions limiting the scope and extent of the arbitration with the intention of providing for prompt, economic and fair resolution of any dispute submitted to arbitration.

(d) The arbitrator shall make its award in accordance with applicable law and based on the evidence presented by the parties, and at the request of either party at the start of the arbitration shall include in its award findings of fact and conclusions of law both in law and equity which would be available in a court having jurisdiction over the parties and over the subject matter of the dispute. Such powers shall include, but not be limited to, the power to require specific performance. Any award rendered by the arbitrator shall be final and binding and may be entered by any court having jurisdiction thereof.

(e) Notwithstanding anything in this Section 5.12 to the contrary, Employee acknowledges and agrees that the Company may seek in a court of competent jurisdiction an injunction prohibiting Employee's breach or alleged breach of any covenant or agreement referred to in Section 4.

5.13 Legal Counsel. Each party hereby agrees and acknowledges that it has had full opportunity to consult with counsel and tax advisors of its selection in connection with the preparation and negotiation of this Agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the undersigned have duly executed and delivered this Agreement as of the date first written above.

EMPLOYEE :

/s/ Jan Sevcik

Jan Sevcik

COMPANY :

INKCHASER, INC.

By: /s/ Nicholas Galassi



**ADDENDUM AND ASSUMPTION OF
JAN SEVCIK'S EMPLOYMENT AGREEMENT
DATED JULY 5, 2007**

InnerWorkings and Jan Sevcik agree to the following addendum to Jan Sevcik's Employment Agreement dated July 5, 2007:

1. The parties agree that InnerWorkings, Inc. shall replace Inkchaser, Inc. as the "Company" in the Employment Agreement;
2. Effective October 1, 2008, Jan Sevcik's annual base salary ("Base Salary") will be increased to \$165,000 and he will receive a \$600 per month car allowance. Effective January 1, 2009, Jan Sevcik's Base Salary will be increased to \$200,000;
3. Upon the execution of this Agreement, Jan Sevcik will receive additional stock base compensation (50% stock options and 50% restricted shares) equivalent to \$200,000, vesting ratably over a four year period (ie. \$50,000 per year in value).
4. The following language is added to the Employment Agreement:

Change of Control. If during the three (3) months prior to the public announcement of a proposed Change in Control or at any time following a Change in Control, Employee's employment is terminated by the Company for any reason other than Cause, or terminated by the Employee for Good Reason, Employee shall be entitled to, in addition to the compensation provided in Section 3.2 of the Employment Agreement, immediate vesting of (i) all restricted stock granted on or about the Effective Date, and (ii) all stock options granted on or about the Effective Date and (iii) continued payment of the earn outs due under the InkChaser acquisition as if Employee remained an employee of the Company: provided that for purposes of this section, a "Change in Control" shall have the same meaning as the term "Change in Control" set forth in the Company's 2006 Stock Incentive Plan.

Agreed and accepted this 3 day of October, 2008

InnerWorkings, Inc

/s/ Joe Busky

Joe Busky

Jan Sevcik

/s/ Jan Sevcik



600 West Chicago Avenue, Suite 850 Chicago, IL 60610

Main: 312.642.3700

www.iwprint.com

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is made and entered into as of October 1, 2007 (the "Effective Date"), by and between **InnerWorkings, Inc.**, a Delaware corporation (the "Company"), and **Jonathan Shean** ("Employee").

1. Employment; Position and Duties. The Company agrees to employ Employee, and Employee agrees to be employed by the Company, upon the terms and conditions of this Agreement. Employee shall be employed by the Company as the Company's Senior Vice President of Operations and shall report to the Executive Vice President of the Company. Employee shall perform his duties and responsibilities to the best of his ability and in a diligent, businesslike and efficient manner. Employee shall be employed on a full-time basis and shall devote his best efforts and all of his business time and attention (except for permitted vacation periods and reasonable periods of illness or other incapacity) to the business and affairs of the Company. Employee's duties shall include all those duties customarily performed by the Senior Vice President of Operations and such other duties and responsibilities commensurate with such position as may be reasonably assigned to him by the Executive Vice President of the Company. Employee acknowledges and agrees that his responsibilities shall include business development activities and assistance and support to the mergers and acquisitions department. Employee shall comply with any policies and procedures established for Company employees from time to time which are not inconsistent with this Agreement, including without limitation, those policies and procedures contained in the Company's employee handbook previously delivered to Employee. Employee agrees that during the Term of Employment he shall not engage in any other employment, profitable activities, or other pursuits which would cause him to utilize or disclose the Company's confidential information or trade secrets or detract in any material way from his ability to devote his best efforts to the Company.

2. Term of Employment. The term of this Agreement shall commence on the Effective Date and shall expire on September 30, 2010, unless earlier terminated by either party in accordance with the terms of this Agreement. The period during which Employee is employed by the Company pursuant to the terms of this Agreement is hereinafter referred to as the "Term of Employment." This Agreement may be terminated by Employee or by the Company at any time, with or without Cause (as defined below). Upon the termination of Employee's employment with the Company for any reason, neither party shall have any further obligation or liability under this Agreement to the other party, except as set forth in Sections 5, 6, 7, 8, 9, 10, 11, 12 and 13 of this Agreement.

3. Compensation. As compensation for the services to be rendered and the other obligations undertaken by Employee under this Agreement, the Company shall pay Employee the compensation set forth in this Section 3 as follows:

(a) Base Salary. During the Term of Employment, Employee shall be paid a base salary ("Base Salary") of \$20,000.00 per month (or \$240,000.00 on an annualized basis), subject to applicable withholding, in accordance with the Company's normal payroll procedures. Employee's salary shall be reviewed on an annual basis by the Company for possible increase (but not decrease) based on the Company's operating results and financial condition, salaries paid to other Company executives, and general marketplace and other applicable considerations. Such increased Base Salary, if any, shall then constitute Employee's "Base Salary" for purposes of this Agreement.

(b) Benefits. During the Term of Employment, Employee shall have the right, on the same basis as other members of management of the Company, to participate in and to receive benefits under any of the Company's employee benefit plans, insurance programs and/or indemnification agreements, as the same may then be in effect from time to time, subject to any applicable waiting periods and other terms and restrictions thereof. The Company shall reimburse Employee for the full amount of his and his family's insurance costs should he elect to participate in the Company's insurance program(s).

(c) Bonus. In addition to the Base Salary, Employee shall be eligible to receive an annual performance bonus ("Performance Bonus") of up to \$80,000. The Performance Bonus shall be a discretionary bonus, determined in the sole discretion of the Company, with consideration given to Employee's performance of his duties and the Company's financial performance, as well as certain performance targets that are approved by the Employees and/or Directors of the Company. The Performance Bonus shall be paid within 60 days following the end of each fiscal year of the Company. The Company agrees to pay Employee a one-time bonus of \$60,000 on January 1, 2008, provided that Employee continues to be employed by the Company on such date. The Company also agrees to pay Domtar, Employee's prior employer, an amount equal to \$12,500 for repayment of Employee's unpaid indebtedness to Domtar as of the Effective Date.

(d) Expenses. The Company agrees to pay or to reimburse Employee for all reasonable, ordinary, necessary and documented business or entertainment expenses incurred during the Term of Employment in the performance of his services hereunder in accordance with the policy of the Company as from time to time in effect. Employee, as a condition precedent to obtaining such payment or reimbursement, shall provide to the Company any and all statements, bills or receipts evidencing the travel or out-of-pocket expenses for which Employee seeks payment or reimbursement, and any other information or materials, as the Company may from time to time reasonably require. The Company shall reimburse Employee for up to \$12,500 for documented moving costs and related expenses incurred by Employee in connection with his relocation to the Chicago area.

(e) Vacation. During the Term of Employment, Employee shall be entitled to four (4) weeks paid vacation per calendar year, and shall be entitled to as many holidays, sick days and personal days as are in accordance with the Company's policy then in effect generally for its employees. Vacation time will be accrued at a rate of 30 days per month and will not carry over from year to year.

(f) Car Allowance. During the Term of Employment, the Company will provide Employee with a car allowance equal to \$600 per month in accordance with the Company's automobile policy then in effect generally for its executive employees.

4. Restricted Stock. Concurrently with the execution of this Agreement, Employee shall be issued 50,000 shares of Common Stock of the Company (the "Restricted Stock"). The Restricted Stock shall be subject to the following vesting schedule: 10,000 shares shall vest on each of October 1st, 2008, October 1st, 2009, October 1st 2010, October 1st, 2011 and October 1st, 2012. Except as provided herein, the Restricted Stock shall be subject to the terms of the InnerWorkings, Inc. 2006 Stock Incentive Plan (the "Plan") and the restricted stock agreement provided to Employee pursuant to the Plan, and Employee's receipt of the Restricted Stock shall be subject to his executing such restricted stock agreement. A copy of the Plan and the restricted stock agreement are attached hereto as Exhibit A and Exhibit B, respectively.

5. Rights and Obligations Upon Termination.

(a) Definition of Cause. For purposes of this Agreement, "Cause" shall mean any of the following:

(i) Employee's failure to perform reasonably assigned duties and responsibilities, which failure is not cured by Employee after fifteen (15) days prior written notice specifying the nature of the failure (provided, that any such notice also must include a statement that failure to cure any such failure may result in the termination by the Company of Employee's employment for Cause) or is not capable of being cured;

(ii) the theft, dishonesty, fraud, misappropriation or other criminal malfeasance by Employee against with respect to the Company or any of its subsidiaries or affiliates or the falsification of any employment or other records of the Company by Employee;

(iii) the determination by the Company that Employee has committed an act or acts constituting a felony or any other crime involving theft, dishonesty, fraud or moral turpitude;

(iv) the determination by the Company that Employee has engaged in willful misconduct or gross negligence in the performance of his employment duties;

(v) the determination by the Company that Employee has engaged in willful misconduct that reflects so seriously on his or the Company's public reputation as to prejudice the interests of the Company or any of its subsidiaries or affiliates if he were to continue to be retained as one of its employees; or

(vi) the breach by Employee of any material provision of this Agreement, which breach is not cured by Employee after fifteen (15) days prior written notice specifying the nature of the breach (provided, that any such notice also must include a statement that failure to cure any such breach may result in the termination by the Company of Employee's employment for Cause) or is not capable of being cured.

(b) Definition of Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following:

(i) a material reduction Employee's duties or responsibilities in his capacity as a Senior Vice President of Operations without Employee's consent, or a permanent change in Employee's duties and responsibilities which are materially inconsistent with the duties and responsibilities of a Senior Vice President of Operations of the Company, which reduction or change is not cured within fifteen (15) days of the receipt by the Company of written notice by Employee stating the nature of such breach (provided, that any such notice also must include a statement that failure to cure any such reduction or change may result in a termination by Employee of his employment for Good Reason);

(ii) Employee being required to relocate the office from which he performs his responsibilities to an office that is located more than thirty (30) miles outside of Chicago, Illinois; or

(iii) a material breach of this Agreement by the Company, which breach is not cured within fifteen (15) days of the receipt by the Company of written notice by Employee stating the nature of such breach (provided, that any such notice also must include a statement that failure to cure any such reduction or change may result in a termination by Employee of his employment for Good Reason).

(c) Without Cause or For Good Reason. Upon the termination of the Term of Employment by the Company without Cause or by Employee for Good Reason, the Company shall:

(i) continue to pay Employee's Base Salary then in effect, less applicable withholding and in accordance with the Company's normal payroll procedures, for a period equal to twelve (12) months following the effective date of such termination (the "Severance Period");

(ii) pay any unpaid reimbursable expenses outstanding as of the date of termination;

(iii) pay all benefits (including all accrued but unpaid vacation pay), if any, that had accrued to Employee through the date of termination under the benefit and retirement plans and programs in which he participated as an employee of the Company in the manner and in accordance with the terms of such plans and programs; and

(v) continue participation for Employee and his eligible dependents on the same basis (except all premiums shall be paid by the Company) as the other executives of the Company in all, medical, dental, disability and life insurance coverage (such benefits collectively called the "Continued Plans") in which he was participating on the effective date of termination (as such Continued Plans are from time to time in effect) until the end of the Severance Period; provided, however, if Employee is precluded from continuing his participation in any Continued Plan, then, during the Severance Period, the Company will be obligated to reimburse him for any payments made by Employee in order to maintain his and his family's rights granted by the Consolidated Omnibus Budget Reconciliation Act ("COBRA")

Notwithstanding anything to the contrary herein, no payments shall be due under this Section 5(c) unless and until Employee shall have executed a general release and waiver of claims against the Company, consistent with Section 8 below, and in a form reasonably satisfactory to the Company, and the execution of such general release and waiver shall be a condition to Employee's rights under this Section 5(c).

(d) Other Termination Events. Upon the termination of the Term of Employment by the Company for Cause, by Employee for any reason (other than for Good Reason), or by reason of his death or Disability, the Company shall have no further obligations under this Agreement, except the Company shall:

(i) pay Employee his unpaid Base Salary through, and any unpaid reimbursable expenses outstanding as of, the effective date of such termination;

(ii) pay all benefits (including all accrued but unpaid vacation pay), if any, that had accrued to Employee through the date of termination under the benefit and retirement plans and programs in which he participated as an employee of the Company in the manner and in accordance with the terms of such plans and programs; and

(iii) afford Employee and his family such rights granted by the COBRA.

(e) Return or Destruction. Upon termination of the Term of Employment, Employee shall not remove from any premises at which the business of the Company is conducted any property of the Company, including without limitation, any trade secrets or other confidential information, and shall return all the property of the Company, including, without limitation, all tangible embodiments of the trade secrets or other confidential information, in his possession or under his control.

6. Non-Competition. During the Term of Employment and for a period of two (2) years following the expiration or termination of the Term of Employment for any reason, except termination without Good Cause or for Good Reason, in which case twelve (12) months, Employee shall not, anywhere in the Geographic Area (as defined below), other than on behalf of Company or with the prior written consent of Company, directly or indirectly, perform services for (whether as an employee, agent, consultant, advisor, independent contractor, owner, principal, proprietor, partner, officer, director or otherwise), have any ownership interest in (except for passive ownership of five percent (5%) or less of any entity whose securities have been registered under the Securities Act or Section 12 of the Securities Exchange Act of 1934, as amended), or participate or engage in the financing, operation, management or control of, any firm, partnership, corporation, entity or business that engages or participates in a “competing business purpose” (as defined below).

For the purpose of this Agreement, the term “competing business purpose” shall mean any business which is competitive with the business of the company and its affiliates during the term of this Agreement. The term “Geographic Area” shall mean any geographic area in which the Company or any of its affiliates or subsidiaries conduct business.

The covenants contained in this Section 6 shall be construed as a series of separate covenants, one for each county, city, state, or any similar subdivision in any Geographic Area. Except for geographic coverage, each such separate covenant shall be deemed identical in terms to the covenants contained in the preceding Sections. If, in any judicial proceeding, a court refuses to enforce any of such separate covenants (or any part thereof), then such unenforceable covenant (or such part) shall be eliminated from this Agreement to the extent necessary to permit the remaining separate covenants (or portions thereof) to be enforced. In the event that the provisions of this Section 8 are deemed to exceed the time, geographic or scope limitations permitted by applicable law, then such provisions shall be reformed to the maximum time, geographic or scope limitations, as the case may be, permitted by applicable laws.

7. Non-Solicitation. During the Term of Employment and for a period of two (2) years following the expiration or termination of the Term of Employment for any reason, except termination without Cause or for Good Reason, in which case, twelve (12) months, Employee shall not, directly or indirectly, on his own behalf or in the service or on behalf of others:

(a) solicit, induce or divert or attempt to solicit, induce or divert any customer, potential customer, supplier, licensee, licensor, vendor or other business relation of Company to cease doing business with Company, or in any way interfere with the relationship between any customer, potential customer, supplier, licensee, licensor, vendor or other business relation of Company or solicit the business of any customer of Company. "Customer" means any individual or entity have a current business relationship with the Company during the year prior to the termination of his employment relationship with the Company "Potential Customer" is defined as any individual or entity which has been solicited with the intent of sales by the Company during the year prior to the termination of his employment relationship with the Company.; and

(b) solicit, induce or divert, or take any action which is intended to solicit, induce or divert, or has the effect of soliciting, inducing or diverting, any employee, consultant or independent contractor of Company or any of its subsidiaries or affiliates to terminate his or his employment or other relationship with Company or its subsidiary or affiliate, other than in the discharge of his duties as an officer of the Company, or hire or attempt to hire any such employee, consultant or independent contractor.

8. Confidential Information.

(a) As used in this Agreement, "Confidential Information," shall mean any and all confidential and proprietary technical and non-technical information of the Company or any of its subsidiaries or affiliates, including patent, copyright, trade secret, and proprietary information, techniques, sketches, drawings, models, inventions, know-how, processes, apparatus, equipment, algorithms, software programs, software source documents, and formulae related to the current, future and proposed products and services of the Company or any of its subsidiaries or affiliates and any suppliers or customers of the Company or any of its subsidiaries or affiliates, and includes, without limitation, innovations, tangible and intangible property, information of the Company or any of its subsidiaries or affiliates concerning research, experimental work, development design details and specifications, engineering, financial information, procurement requirements, purchasing manufacturing, customer lists, business forecasts, vendors, supplier agreements, sales, merchandising and marketing plans and information.

(b) During the Term of Employment and for twenty-four (24) months after the expiration or termination of the Term of Employment, Employee shall hold and safeguard the Confidential Information in trust for the Company, its successors and assigns and agrees that he shall not use, without the prior written consent of the Company, for Employee's own benefit or purposes or misappropriate or disclose or make available to any Person for use outside the Company's organization at any time, either during his employment with the Company or subsequent to the termination of his employment with the Company during the 24-month period following such termination, for any reason, any of the Confidential Information or any copy, notes or item embodying Confidential Information, whether or not developed by Employee, except (i) as required in the performance of Employee's employment duties and as authorized by the Company and (ii) to the extent that such information (A) is or becomes generally available to the public or the industry other than as a result of a disclosure by Employee in violation of this Agreement or (B) is required to be disclosed pursuant to a court order or other legal process (provided Employee gives the Company notice of such obligation as soon as practical after Employee receives notice of such obligation and prior to any disclosure pursuant to such obligation, affords the Company the opportunity and reasonably cooperates with the Company in any efforts by the Company to limit the scope of such obligation and/or to obtain confidential treatment of any material disclosed pursuant to such obligation).

9. Equitable Remedies. Employee acknowledges and agrees that the agreements and covenants set forth in Sections 6, 7, and are reasonable in scope and essential for the protection of the Company's business interests, that irreparable injury will result to the Company if Employee breaches any of the terms of said covenants, and that in the event of Employee's actual or threatened breach of any such covenants, the Company will have no adequate remedy at law. Employee accordingly agrees that, in the event of any actual or threatened breach by Employee of any of said covenants, the Company will be entitled to seek immediate injunctive and other equitable relief, without bond and without the necessity of showing actual monetary damages. Nothing in this Section 9 will be construed as prohibiting the Company from pursuing any other remedies available to it for such breach or threatened breach, including the recovery of any damages that it is able to prove.

10. Dispute Resolution. In the event of any dispute or claim relating to or arising out of this Agreement (including, but not limited to, any claims of breach of contract, wrongful termination or age, sex, race or other discrimination), Employee and the Company agree that all such disputes shall be fully and finally resolved by binding arbitration conducted by the American Arbitration Association in Chicago, Illinois in accordance with its National Employment Dispute Resolution rules, as those rules are currently in effect (and not as they may be modified in the future). Any award rendered by the arbitrator shall be final and binding and may be entered by any court having jurisdiction thereof. Employee acknowledges that by accepting this arbitration provision he is waiving any right to a jury trial in the event of such dispute. Notwithstanding the foregoing, this arbitration provision shall not apply to (i) any equitable remedies which the Company may seek in connection with Employee's breach or alleged breach of any covenant or agreement in Sections 6, 7, 8, or 9 above or (ii) any disputes or claims relating to or arising out of the misuse or misappropriation of trade secrets or proprietary information.

11. Governing Law. THIS AGREEMENT AND ALL RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF ILLINOIS WITHOUT REFERENCE TO ANY CONFLICTS OR CONFLICT OF LAWS PRINCIPLES IN THE STATE OF ILLINOIS THAT WOULD RESULT IN THE APPLICATION OF THE LAW OF ANY OTHER JURISDICTION.

12. Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the Company and its successors and assigns, provided that successor or assignee is the successor to substantially all of the assets of the Company, or a majority of its then outstanding Units, and that such successor or assignee assumes the liabilities, obligations and duties of the Company under this Agreement, either contractually or as a matter of law. In view of the personal nature of the services to be performed under this Agreement by Employee, she shall not have the right to assign or transfer any of his rights, obligations or benefits under this Agreement, except as otherwise noted herein.

13. Severability. Each section and subsection of this Agreement constitutes a separate and distinct provision of this Agreement. It is the intent of the parties that the provisions of this Agreement be enforced to the fullest extent permissible under the laws and public policies applicable in each jurisdiction in which enforcement is sought. Accordingly, if any provision of this Agreement is adjudicated to be invalid, ineffective or unenforceable, the remaining provisions will not be affected by such adjudication. The invalid, ineffective or unenforceable provision, without further action by the parties, will be automatically amended to effect the original purpose and intent of the invalid, ineffective or unenforceable provision; provided, however, that such amendment will apply only with respect to the operation of such provision in the particular jurisdiction with respect to which such adjudication is made.

14. Entire Agreement. This Agreement, including the Exhibits attached hereto, constitutes the entire agreement between Employee and the Company regarding the terms and conditions of his employment. This Agreement supersedes all prior negotiations, representations or agreements between Employee and the Company, whether written or oral, concerning Employee's employment.

15. No Conflict. Employee represents and warrants to the Company that neither his entry into this Agreement nor his performance of his obligations hereunder will conflict with or result in a breach of the terms, conditions or provisions of any other agreement or obligation to which Employee is a party or by which Employee is bound, including without limitation, any non-competition or confidentiality agreement previously entered into by Employee.

16. Survival of Certain Obligations. The obligations of the Company and Employee set forth in this Agreement that by their terms extend beyond or survive the termination of this Agreement will not be affected or diminished in any way by the termination of the Term of Employment.

17. Amendments. This Agreement may not be modified or amended except by a written agreement signed by Employee and the Company.

18. Legal Counsel. Each party hereby agrees and acknowledges that it has had full opportunity to consult with counsel and tax advisors of its selection in connection with the preparation and negotiation of this Agreement.

[*Signature Page Follows*]

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date and year written below.

COMPANY :

INNERWORKINGS, INC.

By: /s/ Nicholas Galassi

EMPLOYEE :

/s/ Joanathan Shean

Jonathan Shean

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
INNERWORKINGS, INC.
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric D. Belcher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of InnerWorkings, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer 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 we 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 quarterly report is being prepared;
 - b) designed such internal controls 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 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 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: May 10, 2010

/s/ Eric D. Belcher

Eric D. Belcher
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER
INNERWORKINGS, INC.
PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph M. Busky, certify that:

1. I have reviewed this quarterly report on Form 10-Q of InnerWorkings, Inc.;
2. Based on my knowledge, this quarterly 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 quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
4. The registrant's other certifying officer 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 we 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 quarterly report is being prepared;
 - b) designed such internal controls 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 quarterly report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this quarterly report based on such evaluation; and
 - d) disclosed in this quarterly report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter 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 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 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: May, 10, 2010

/s/ Joseph M. Busky

Joseph M. Busky
Chief Financial Officer

CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Eric D. Belcher, Chief Executive Officer of InnerWorkings, Inc. (the "Company"), hereby certify, that:

(1) The Company's quarterly report on Form 10-Q for the quarterly period ended March 31, 2010 (the "Form 10-Q") 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 Form 10-Q fairly presents, in all material aspects, the financial condition and results of operations of the Company.

/s/ Eric D. Belcher

Eric D. Belcher
Chief Executive Officer
May 10, 2010

CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

I, Joseph M. Busky, Chief Financial Officer of InnerWorkings, Inc. (the "Company"), hereby certify, that:

(1) The Company's quarterly report on Form 10-Q for the quarterly period ended March 31, 2010 (the "Form 10-Q") 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 Form 10-Q fairly presents, in all material aspects, the financial condition and results of operations of the Company.

/s/ Joseph M. Busky

Joseph M. Busky
Chief Financial Officer
May 10, 2010
