ONVIA™

2013 Annual Report

ONVIA STOCKHOLDER LETTER

Dear Stockholders:

2013 represents the conclusion of the third year of our plan to transform Onvia from a lead generation company to a provider of business intelligence on the public procurement market. First, I would like to review our 2013 initiatives.

Our first 2013 initiative was to successfully accelerate Business Development results for acquiring new customers. While we fell short of our annual sales plan, results improved significantly the last two quarters of the year. Sales from new customers increased 28% for the full year but improved to 35% growth in the third quarter over the third quarter of 2012 and 39% in the fourth quarter over the fourth quarter of 2012. We are also pleased with the improving quality of new client acquisitions. New client ACVC increased 53% to $13,599 from $8,891 in the fourth quarter of 2012.

Our second 2013 initiative was to maximize growth from our client base. I am pleased to report for SMB in the fourth quarter of 2013, contract upgrades grew a record 20% over prior year. Contract upgrades generally include price adjustments, and additional solutions such as Spending Forecast Center and Term Contract Center.

Our third 2013 initiative was to strengthen the value of our solution to help our clients win more government business. In 2013 we made good progress in improving the customer experience. We launched Onvia 6 which included solution based workflows to help clients navigate the database. In the fourth quarter we launched Vendor Center which provides strategic intelligence on companies that do business with state and local governments. Our clients can now identify, track and benchmark competitors and potential partners in a single solution. This solution represents another important step in our transformation plan to move from lead generation into public sector business intelligence.

While we made progress in 2013, we would like to accelerate the speed of our progress. As a result we made adjustments to our go to market strategy in the fourth quarter of 2013.

We narrowed the definition of our target market to those companies that do business with state and local governments nationally and regionally and excluded those companies that do business only in a few states. In addition we began to verticalize our selling efforts by focusing on those market sectors with the largest growth in public sector spend: infrastructure, information technology, and outsourced business services.

We made changes in our sales and marketing organization to support our new go to market strategy.

First, we combined the Enterprise and SMB sales forces into one sales organization. Our historical enterprise strategy was to sell enterprise accounts at the division or subsidiary level which is similar to the high end SMB market. By eliminating the low end of the target market, the combined sales team is now focused on selling the same solution to the same type of customer using the same selling process.

Second we verticalized the Sales and Marketing organization to focus on market sectors we mentioned earlier: infrastructure, information technology and outsourced business services. This realignment should help Onvia become a trusted advisor to the strategic buyer, by improving our knowledge of each industry, and by helping the sales force to think strategically to identify and solve our clients' business objectives.

Third, we reorganized and renamed Account Management, Client Success to help meet the higher expectations of our new clients. Historically Account Managers were responsible for both client retention and contract growth. To provide better focus on the client, we separated responsibility for client service from contract cross-sell/upsell. We created the role of Client Success Manager to focus on retaining the client by ensuring that our solution meets their business objectives. In addition, we created a new role of Solution Specialists to sell additional solutions to our clients. Today, we have great relationships with buyers of leads. The buyers of strategic business intelligence even in our client organizations are unknown to us. The Solution Specialists are responsible for identifying these strategic buyers and selling our new solutions to a more senior level within the client organization. Long term this should create a more strategic relationship between Onvia and our client partners.

Finally, we have created a new team dedicated to on boarding and training new clients. The first 90 days are critical to building an effective solution that fits into the clients' workflow. This structure should drive increased first year client retention in 2015.

Our Client Success organization is also verticalized into our three market sectors: infrastructure, information technology and outsourced business services.

These changes in our go to market strategy and the realignment of our sales and marketing organization are intended to accelerate our revenue and adjusted EBITDA growth in 2014 and beyond.

Our focus in 2014 is as follows:

Our first 2014 initiative is to accelerate the acquisition of new customers. We will measure the success of this initiative by the overall growth in new client bookings and ACVC growth year over year.

Our second 2014 initiative is to improve first year client retention and renew our best tenured clients. When we report first quarter 2014 results, we will begin to disclose revenue retention of the client base. Revenue retention should provide stockholders insight into Onvia's subscription retention rate and the ability to generate future subscription revenue.

Our third 2014 initiative is to maximize growth within our existing client base.

Our final 2014 initiative is to continue to enhance the value of our solution to our clients. We intend to drive improvements to our existing solutions as well as introduce innovative new solutions to our clients that is expected to strengthen our position as the leading business partner for state and local government procurement intelligence.

I look forward to reporting on our continued progress in 2014. Please be assured that we have a high sense of urgency to increase stockholder value and to increase client satisfaction.

Henry G. Riner
President & CEO

Forward-Looking Statements

This release contains "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Words such as "believe," "intend," "plan," "expect," "should," "indicate" and similar expressions identify forward-looking statements. In addition, statements that are not historical should also be considered forward-looking statements. Forward-looking statements contained in this release may relate to, but are not limited to, statements regarding Onvia's future results of operations, the progress to be made on the 2014 initiatives, Onvia's future financial flexibility and future cash flows and Onvia's future product and content offerings. Such statements are based on current expectations that involve a number of known and unknown risks, uncertainties and other factors, which may cause actual events to be materially different from those expressed or implied by such forward-looking statements.

The following factors, among others, could cause actual results to differ materially from those described in the forward-looking statements: Onvia's "targeted market" strategy may fail to increase contract value of new customers; Onvia's investment in sales and marketing may fail to improve sales penetration and client retention rates, especially first year client retention rates; adoption of Onvia's new product releases may be slower than expected and fail to improve sales penetration and client retention rates; and Onvia's technology may fail to handle the increased demands on its infrastructure caused by increasing network traffic and the volume of aggregated data. Additional information on factors that may impact these forward-looking statements can be found in the "Business," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Risk Factors" sections, as applicable, in Onvia's Annual Report on Form 10-K for the year December 31, 2013 and Quarterly Report on Form 10-Q for the quarter ended September 30, 2013.

Any forward-looking statement made by Onvia in this release is as of the date indicated. Factors or events that could cause Onvia's actual results to differ may emerge from time to time, and it is not possible for Onvia to predict all of them. Onvia assumes no obligation (and expressly disclaims any such obligation) to update any forward-looking statements contained in this presentation as a result of new information or future events or developments, except as may be required by law.

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

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2013

OR

☐ **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 001-35164

ONVIA, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**91-1859172**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

509 Olive Way, Suite 400, Seattle, Washington 98101
(Address of Principal Executive Offices)
(206) 282-5170
(Registrant's Telephone Number, Including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act:

Title of each class	**Name of exchange on which registered**
Common Stock, $.0001 par value per share	The NASDAQ Capital Market
Rights to Purchase Series RA Junior Participating Preferred Stock	The NASDAQ Capital Market

Securities Registered Pursuant to Section 12(g) of the Act:
None

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☒

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant, based on the closing price on June 30, 2013, as reported on the NASDAQ Capital Market, was $23,031,575.

The number of shares of the registrant's common stock outstanding at March 1, 2014 was 7,356,189.

ONVIA, INC.

FORM 10-K
For the Year Ended December 31, 2013

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PART I

CAUTIONARY STATEMENT

In addition to the historical information contained herein, the discussion and analysis in this report contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 regarding expected increases in revenue, clients, contracts and contract value, cash flow, profitability and stockholder value. When used in this discussion, the words "believes," "anticipates," "may," "will," "should," "expects," "plans," "estimates," "predicts," "potential," "continue," "intends", "indicates" or the negative of these and similar expressions are intended to identify forward-looking statements, but the absence of these words does not necessarily mean that a statement is not a forward-looking statement. Forward-looking statements include, but are not limited to, statements about our plans, objectives, expectations and intentions and are subject to risks and uncertainties that could cause actual results to differ materially from those expected or implied by these forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. Our actual results could differ materially from those anticipated in these forward-looking statements for many reasons, including the factors described under "Risk Factors", "Business", "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report. Except as required by law, Onvia undertakes no obligation to publicly release any revisions to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of anticipated events. Readers are urged, however, to review the factors and risks described in reports Onvia files from time to time with the Securities and Exchange Commission. The following discussion should also be read in conjunction with the Consolidated Financial Statements and accompanying Notes thereto included in this report.

In this report, we rely on and refer to information and statistics regarding the markets for various products. We obtained this information from third-party sources, discussions with our clients and our own estimates. We believe that these third-party sources are reliable, but we have not independently verified them and there can be no assurance that they are accurate.

ITEM 1. BUSINESS

In this report, the words "we," "our," "us," "Onvia," or the "Company" refer to Onvia, Inc. and its wholly owned subsidiary.

Company Overview

Onvia is a leading provider of business information and research solutions that help companies plan, market and sell to government agencies throughout the United States (or U.S.). Onvia's business solutions provide clients online access to proprietary information about government procurement activity across local, state, and federal government agencies. The business intelligence derived from our solutions allows clients to identify and research new market opportunities, analyze market trends, and obtain valuable insights about their competitors and channel partners. We believe our business solutions provide clients with a distinct competitive advantage, increased revenue opportunities, and strategic insight into the public sector market.

The Company's procurement solutions include proprietary content and analytical tools that deliver essential insight and intelligence necessary to win more business with state, local and federal governments. Onvia targets companies that operate regionally or nationally, have a long-term strategic interest in the public sector and focus primarily on the decentralized State, Local and Education (SLED) market. We believe this model will produce higher margins, providing the flexibility to price products based upon the value that we create for clients, not based upon the cost of fulfillment.

In 2011, we entered the second phase of business transformation plan and intended to leverage the Company's investment in a rich public sector procurement database. Over the last three years we have repositioned Onvia's value proposition from an aggregator of public procurement documents to a provider of comprehensive public sector business intelligence and rebuilt the foundation of the business which we believe is now positioned to generate accelerating subscription revenue and Adjusted EBITDA (see "Management's Discussion and Analysis of Financial Condition and Results of Operations" below for more information regarding Adjusted EBITDA).

In 2012 we executed a number of initiatives in Phase I of the transition plan intended to stabilize the business.

- In February 2012, we launched “Onvia 5,” which improved the usability and “find-ability” features of the database. Onvia 5 was the first release intended to help stabilize the business.
- In July 2012, Onvia launched a new solution, Term Contract Center, designed to provide clients maximum visibility into over 150,000 recurring contracts. Term Contract Center helps clients identify which contracts to pursue, including the incumbent vendor and the price the agency has paid for the contract.
- In December 2012, we launched the first update to Spending Forecast Center with Project Previews, a data mining tool that helps clients focus on those future business opportunities from budgets and capital improvement plans where they have the greatest probability of winning.

In 2012, we completed the first phase of the transformation plan evidenced by the stabilization of Annual Contract Value (or “ACV”) and subscription revenue. In 2013, we entered phase II of the transformation plan intended to accelerate growth in subscription revenue and Adjusted EBITDA, with the following results:

- New client bookings increased by 28% in 2013 compared to 2012, but slower than originally planned.
- New client Annual Contract Value per Customer (or “ACVC”) increased to $13,599 in 2013 up from $8,891 in 2012, an increase of 53%.
- ACVC from existing clients grew by 20% over 2012.
- In the first quarter we launched Onvia 6 which included solution based workflows to help clients more effectively and efficiently access relevant content.
- In the third quarter, we separated content production from the publishing system and we now deliver 90% of content on the same day as we capture it from the original source.
- In the fourth quarter, we launched Vendor Center which provides strategic intelligence on companies that do business with state and local governments. Our clients can now identify, track and benchmark competitors and potential partners in a single solution.

We implemented adjustments to our go-to-market strategy beginning in the fourth quarter of 2013:

- We tightened our target market and now focus on companies that do business regionally or nationally.
- The Enterprise and Small/Medium Business (SMB) sales forces were merged into one sales organization, separated by function, not by client segment. The Business Development organization focuses on new client acquisition, and the Client Success organization is responsible for the renewal and expansion of existing subscription contracts.
- Within the Client Success organization, we separated responsibility for client service from contract cross-sell/upsell intended to provide more focus on the client and their business objectives.
- We created a first year client team exclusively responsible for the consistent onboarding of new clients, intended to improve first year retention rates.

In 2014, we are executing four initiatives intended to build on results achieved in the fourth quarter of 2013 and further accelerate subscription revenue and Adjusted EBTIDA. These four initiatives are:

1. Accelerate new client acquisition within the newly defined target market.
2. Improve first year client retention and renew our best tenured, long term clients.
3. Maximize growth within our existing client base.
4. Continue to drive enhancements to our existing platform and to innovate new solutions that make Onvia a strategic business partner with its clients.

The Onvia solution includes access to the Onvia Database, Spending Forecast Center, Term Contract Center, Vendor Center and the Onvia Guide. These services are sometimes bundled with management information reports in multiple elements arrangements. Refer to the discussions below under “Products and Services” for a description of these products and services, and under “Critical Accounting Policies and Management Estimates” for a discussion of how sales price is allocated between the elements in a multiple elements arrangement and how revenue is recognized on each element. Subscriptions to the Onvia Database are typically prepaid, have a minimum term of one year and revenues are recognized ratably over the term of the subscription. Subscriptions are generally priced based upon the geographic range, nature of content purchased, and the number of users accessing the database.

Most of Onvia’s revenues are generated from sales to companies that leverage our information for their own internal use, and to businesses that license our content for redistribution. Revenue from businesses who license our content for resale to their own clients is classified as Content License revenue. Content license contracts are generally multi-year arrangements and typically have higher annual contract values than our subscription-based services. Revenue from content license agreements is recognized over the term of the agreement.

Onvia was incorporated in January 2000 in the state of Delaware. Our principal corporate office is located in Seattle, Washington. Our securities trade on The NASDAQ Capital Market under the symbol ONVI.

Industry Background

Selling to the public sector is highly competitive and insight into this market is extremely valuable. The variety, volume and unstructured nature of public sector procurement information make it difficult for businesses to analyze, evaluate and target the market for their goods and services. The agency self- reporting process provides short term visibility into specific government contracting information and events, but does not provide businesses the value added business intelligence to strategically maximize their public sector business. There is a strong need for a strategic business partner that provides deep market intelligence as a key resource for decision making. This ideal partner will provide impactful insight that drives companies to select the right target market, allocate internal resources toward the most profitable segments, maximize public sector margins through intelligent pricing and develop strategic public sector relationships all with the long term objective of winning more government business.

The procurement capture process is complicated and comprised of multiple elements and information types. Businesses must evaluate a variety of different sources of procurement information and activities to understand their individual markets and to make strategic decisions. These data types include:

- Annual Budgets
- Capital Improvement Plans
- Requests for Quotes
- Requests for Proposals
- Amendments
- Term contracts
- Plan holders Lists
- Bidders Lists
- Bid Results
- Awards
- Advance Notices
- Subcontractor Solicitations
- Other trigger events, such as City Council Minutes

The aggregation of these public procurement events provides little value. This data must be normalized, enhanced, structured and classified to become business intelligence to help companies approach the public sector market strategically with the goal of winning more government business.

We have spent the last two years enhancing the public procurement database. We believe the combination of this database and the new analytical tools we plan to release to the market over the next two years will position Onvia as the preferred business intelligence provider for those companies that have a strategic long-term interest in the public sector market.

The Onvia Solution

Onvia's solution includes tools to access a database of proprietary public sector information which has been built over more than 11 years, and includes comprehensive, historical and real-time information on public sector activities unavailable elsewhere in the marketplace. Our solution provides access to information on over 5.0 million procurement-related records connected to over 400,000 companies from across approximately 86,000 procurement entities nationwide. Thousands of records are standardized, added, formatted and classified within our database each day.

Information related to each stage of the procurement cycle is linked together to provide a comprehensive view of each project including:

- *Advance Notices* – alerts businesses of projects in the early stages of the development process, before the bid or request for proposal is released in its final form, or before final zoning and planning board approval;
- *Bids, Request for proposals, request for quotes, cancellations, and related amendments*;
- *Plan holders and Bidders Lists* – provides competitive intelligence by presenting a list of competitors that have acquired plans, specifications, bidding documents and/or proposals for specific projects in the active bid or proposal stage, and a list of competitors who submit bids for prime contracts with the owner of the project;

- *Bid Results and Awards Information* – notifies businesses of awarded bids, providing information for use in their own sales and marketing activities;
- *Grants* – supplies federal grant information critical to businesses tracking or applying for publicly-funded projects; and
- *Project Previews* – proprietary summaries of future infrastructure and technology investments excerpted from a constantly updated library of capital improvement plans and agency budgets.

The database can be analyzed using many different search filters including:

- Industry Vertical
- State
- Publication Date
- Submittal Date
- Procurement Type
- Level of Government
- Agency Function
- Set Aside Requirements
- Awarded Contract Value

Our database includes many important data fields to further qualify opportunities as available, including:

- Request for Proposal/Bid Information
  - Document title and extract
  - Publication date
  - Pre-bid meeting date
  - Submittal date
  - Product documents
  - Contract term
  - NIGP code
  - Plan price
- Planholders/Bidders lists
  - Vendor name
  - Vendor address
  - Contact name and title
  - Contact email
- Agency Information
  - Agency name
  - Agency function
  - Agency bid number
  - Address
  - Phone number
  - Website link
- Award Information
  - Awarded vendors
  - Contract value
- Buyer Information
  - Buyer name
  - Buyer address
  - Buyer email
  - Buyer phone number
  - Buyer fax number
- Capital Plans and Budgets
  - Project previews
- Term Contract Information
  - Awarded vendor
  - Contract amount
  - Contract term
  - Contract start and end date
- Vendor Information
  - Last 3 years of award and bidding activity

Our government procurement solutions provide clients with the information necessary to make good business decisions. Through our end-to-end solutions, we provide market intelligence a business needs to design and manage a public sector strategy, build relationships with agency buyers and private sector contractors, and target more qualified revenue opportunities. The confluence of these activities should help clients create more winning proposals, increase close rates, increase contract size and, ultimately, increase public sector revenues.

Strategy

Our mission is to deliver essential, actionable business intelligence that our clients rely upon to win more government business. We intend to achieve this mission by delivering exceptional solutions that offer our clients significant value in defining and targeting their public sector market, identifying current and future public sector business opportunities, intelligently pricing their products in the competitive public sector market, and developing strategic relationships and partners required of a successful public sector strategy. If we are able to effectively achieve this mission, we believe we should see increased retention rates and, ultimately, increased stockholder value. Key elements of our strategy include:

- ***Target the right customer for Onvia, those companies with long- term strategic interest in the public sector.*** We focus sales and marketing efforts on the prospects that fit the profile of our most valuable clients with highest contract value and retention rates. We believe that companies in high growth industries that do business across a complex and geographically diverse marketplace derive the most value from Onvia's solutions. We believe these companies have the greatest need for the new market intelligence solutions we planned as part of our future product roadmap. Using our own proprietary data we identified companies that have a strategic, long-term interest in the public sector market based on the volume of their bidding activity and the geographical scope of their marketing program to the government. If we are effective in targeting these companies, we expect that retention rates and the long-term profitability of our clients will improve.

  Our business solutions support companies that operate regionally or nationally in the largest, high growth industry verticals:

  - Infrastructure
    - Architectural and Engineering Services
    - Building Supplies
    - Energy
    - Operations and Maintenance Services
    - Transportation Equipment
    - Water and Energy/Alternative Energy
  - Technology
    - IT
    - Telecommunications
  - Business and Consulting Services
    - Financial Services and Insurance
    - Healthcare and Medical Equipment
    - Office Supplies

- ***Enhance our value proposition to our target customer:*** Historically, our clients have used Onvia for public sector sales lead notification. In 2012 and 2013 we strengthened our content capture processes which improved the timeliness and completeness of our data. We shrank the gaps in the editorial policy and clients now have a clearer expectation of the coverage they can expect from Onvia. Onvia 6 improved the usability of our leads solutions to connect clients with the right content more effectively. The introduction of Term Contract Center (July 2012) and Project Previews to Spending Forecast Center (December 2012) expanded our sales lead notification from current leads (bids and RFPs) to near term leads (term contracts) to longer term leads (project previews) giving our clients a more comprehensive public sector lead offering.

  Leads will continue to be a major part of our value proposition, but product roadmap is designed to transform Onvia into a technology enabled business intelligence provider that helps clients win more government business. Our content and technology platform are key assets that can be leveraged to deliver additional, more strategic applications for our clients. These future applications include competitive analysis, channel partner selection and evaluation, market sizing, allocation of marketing spend, and pricing analyses. We utilize a Customer Advisory Board consisting of ten of our largest clients to provide feedback on the strategic direction of our product roadmap. We also reach out to clients with quarterly surveys, and obtain their feedback on strategic product prototypes before they are launched. By focusing on the right target market and by forming a closer connection with our clients, we believe we can deliver strategic products that offer our clients significant value in maximizing their business in the public sector market.

  In December 2013, we launched Vendor Center which provides strategic intelligence on companies that do business with state and local governments. Our clients can now identify, track and benchmark competitors and potential partners in a single solution. This solution represents another important step in our strategy to move from lead distribution into public sector business intelligence.

- ***Use consultative selling as our "go to market" strategy:*** We market to a targeted universe of companies that have a strategic, long term interest in the public sector. Our sales organization is organized around three high growth industry market sectors: Infrastructure, Information Technology, and Business Services. A central part of our value proposition is the knowledge our sales people have of their clients and their clients' industries. We strive to become "trusted partners" who help clients leverage business intelligence to secure more public sector business. We identify our clients' key business objectives, quantify and prioritize them, offer optimal solutions and finally measure our ability to deliver on these solutions during the clients' subscription term. Our strategy is to stay focused on these key objectives throughout our engagement with the client. Every major investment (product, content, technology and marketing) is evaluated and prioritized against our clients' key objectives and our current and future value proposition in meeting and exceeding these objectives.

Products and Services

Onvia's business solutions are tailored to the business objectives of each client, and support both strategic planning and sales and marketing activities. We offer our clients public sector business intelligence through specialized self-service analytical tools that help our clients aggregate, analyze, identify and quality, evaluate and influence historical, real-time, and future spending information within local, state, and federal government agencies across the United States. Over time, we expect to continue to enhance our existing information, marketing and analytic services and develop additional services that make use of our comprehensive database to meet the needs of our existing clients as well as potential new categories of clients. Our key offerings are described below.

Onvia Database provides rich search functionality on our proprietary analytics platform of local, state and federal government agency purchasing information. Our solution provides public sector business intelligence to customers across agencies, vendors, projects, and term contracts over a historical, real-time and future spending timeline.

Project Center provides our clients with a complete view of individual public sector procurement projects at each stage of the purchasing cycle. Project Center makes it easier for clients to identify and qualify opportunities to sell their goods and services into the public sector. Project Center is designed to help our clients:

- Analyze purchasing trends to refine existing target markets and identify new geographic markets
- Identify and qualify projects or purchases for specific goods and services nationwide
- Identify and monitor potential competitors using plan holders lists and bidder lists
- Identify potential subcontracting opportunities on major projects
- Evaluate awards for pricing analyses
- Identify and build relationships with the agency buyers of specific goods and services
- Understand agency relationships with existing vendors
- Build marketing lists of agency buyers and potential vendor partners
- Obtain bid documents, plans and specification documents to qualify projects

Agency Center provides users with agencies' procurement histories, current projects, and spending forecasts in a single application. Agency Center helps businesses identify and qualify government agencies, agency buyers and procurement opportunities within their target markets. By developing agency relationships, users can identify government purchases that never go out to formal bid. Four out of five government purchases never go out to formal bid, because they fall below agencies' purchasing thresholds. Agency Center is included with standard access to the Onvia Database.

Vendor Center provides strategic intelligence on companies that do business with state and local governments. Clients can identify, track and benchmark competitors and potential partners to inform strategic decision making. Vendor Center represents an important step in our strategy to move from lead distribution into public sector market intelligence and analysis.

Spending Forecast Center provides insight into budgets and capital improvement plans of agencies within the top 366 Metropolitan Statistical Areas in the United States. Spending Forecast Center provides valuable, strategic information on future capital spending used by larger corporations to execute their public sector strategies. Most governmental bodies, such as departments of transportation, city and county governments, and boards of education publish a plan that maps out their major initiatives and forecasts spending over the next 3-6 years. These spending forecasts generally include the name of the initiative or type of expense, project timing, the funding source and the budget amount. Businesses can use spending forecasts to inform business development, evaluate and target markets, and for short to mid-term business planning. We collect plans from state, county and city government agencies, representing over 85% of all government spending. We add a powerful search tool that allows users to find plans based on keywords, as well as type of agency, location, spending focus, and other plan details. In December 2012, we launched the first update to Spending Forecast Center with Project Previews, which summarize individual projects extracted from the vast library of budgets and capital improvement plans. The project summaries are delivered directly to the end user, providing significant time savings to clients, enabling them to allocate resources to higher value activities.

Term Contract Center helps Onvia's clients take advantage of the growing trend by government agencies to make purchases using term contracts, or recurring contracts. We significantly increased our coverage and collection of term contracts and awards to provide clients with a single source they can rely on to grow revenues. Term Contract Center is designed to help clients identify and prioritize which contracts to pursue, including the competitor and partner information needed to qualify these opportunities.

Using Term Contract Center, our clients can:

- Search over 150,000 active state and local term contracts to create a pipeline of upcoming renewal opportunities;
- Analyze term-contract buying trends to identify the right agencies to build relationships with;
- Track competitors by searching for vendors who currently hold these contracts; and
- Locate potential teaming and subcontracting partners by accessing information about vendor representatives on term contracts and how to contact them.

The Onvia Guide provides clients with frequent information about procurement activity of agencies, industries and markets customized for each client. Clients receive their tailored Onvia Guide delivered to their inbox every day. Daily use of the Onvia Guide provides clients with next day notification of key events and updates within their public sector market. The Onvia Guide can be purchased separately or comes bundled with a subscription to the Onvia Database.

Management Reports provide our clients with customized management reports to help target upcoming contract renewals, identify agency buyers, and inform the proposal development process. These solutions include:

- *Contact Lists* – Provide clients a comprehensive list of decision makers, agency procurement officers and zoning officials that can be used to develop relationships and identify potential business partners.
- *Winning Proposals Library* – Compare and contrast winning proposals submitted by competing firms in order to gain competitive insights. Provides insight into how other companies position their qualifications and personnel, structure and format persuasive proposals, incorporate supporting materials, price goods and services, and differentiate themselves from their competitors.

Clients

Our clients are businesses that are strategically focused on selling their goods and services into the public sector. As discussed above, we sell into this target market through two sales channels: businesses that leverage our information for their own internal use and businesses that license our content for redistribution (i.e. content license).

Prior to 2011, our target market was extremely broad, and we acquired a large number of non-strategic clients that were not adequately profitable. We no longer invest in acquiring non-strategic clients, and our client base has declined as a result of this decision to transition to our more profitable target market.

We manage the business using the following key client metrics:

Annual Contract Value, or ACV

Annual contract value represents the annualized aggregate revenue value of all subscription contracts as of the end of the quarter. ACV is driven by Annual Contract Value per Client (ACVC) and the number of clients. Most of Onvia's revenues are generated from subscription contracts, which are typically prepaid and have a minimum term of one year, with revenues recognized ratably over the term of the subscription. Onvia also receives revenue from multi-year content distribution partnerships, stand-alone management reports, document download services, and list rental services, which are not included in the calculation of ACV. Growth in ACV demonstrates our success in increasing the number of high value clients and upgrading existing clients to new and higher valued products. Content license contracts are excluded from ACV.

ACV at December 31, 2013 increased by 3% to $19.6 million compared to September 30, 2013 and increased by 4% compared to December 31, 2012.

Beginning in the first quarter of 2014, we will be reporting the revenue retention rate of the client base, intended to provide shareholders visibility into our subscription renewal rate. Revenue retention is derived from ACV and we must present ACV on a consistent basis with the new revenue retention metric. Historically ACV has been presented to shareholders using a legacy method for consistency, but we will now present ACV using our internal methodology from which the revenue retention rate is derived. Our internal calculation of ACV is slightly higher than the ACV historically presented to shareholders, because internally we use a different methodology to annualize subscriptions with non-standard lengths. For instance, ACV using the internal methodology is $20.3 million at the end of the year, compared to the legacy methodology of $19.6 million. The year over year growth rates in ACV are consistent with past presentations in using both methodologies.

Number of Clients
Number of clients represents the number of individual businesses subscribing to our products.

At the end of the fourth quarter, Onvia's total client base decreased 8% to 3,650 clients compared to 3,950 clients in the same year-ago period.

Annual Contract Value per Client, or ACVC
Annual contract value per client is the ACV divided by the number of clients and indicates the average value of each of our subscriptions.

ACVC for the fourth quarter of 2013 grew 4% from the third quarter of 2013, and grew 13% from the same year-ago period. ACVC for new clients increased 53% to $13,599 from $8,891 in the fourth quarter of 2012. ACVC improved, as a result of our strategy to target more strategic clients and, therefore, renewals were weighted toward strategic clients with higher contract values.

Sales and Marketing Strategy

As of December 31, 2013, we had 69 inside sales, marketing and customer support employees with the majority of our sales force located at our headquarters in Seattle, Washington. This headcount compares to 73 and 74 as of December 31, 2012 and 2011, respectively.

We believe we have transformed the Onvia sales force into a professional consultative selling organization. Under this business model, the Business Development Team is responsible for identifying the business objectives of a prospect, and designing a solution to meet these business objectives. As part of the new client onboarding process, the Business Development Manager ensures that the client is smoothly transitioned to the Client Success organization. The Client Success team is responsible for training new and existing clients, executing our client contact strategy, providing as needed support, renewing client contracts and identifying cross sell and upsell opportunities. As part of the client contact strategy, the Client Success manager is responsible for understanding the client's business objectives, setting up profiles and saved searches, and product training. The partnership between the client and its Onvia support team is an important part of the value proposition included in the Onvia business solution.

In October 2013, we began to adjust our go to market strategy and reorganized our sales organization. We believe this new sales organization will help us more effectively target and serve the more sophisticated and complex prospect clients in our target universe:

1. First, we merged the Enterprise and SMB sales forces into one sales organization. The acquisition sales force will focus on selling current solutions into divisions and subsidiaries to unlock the value of these larger prospects. We believe we will have a true enterprise solution when business intelligence solutions improve. We renamed the acquisition function Business Development, and the Account management function Client Success, to better align with the objectives of the two sales outlets.

2. Second, we are verticalizing the business focusing on those market sectors with the largest increases in public spend; namely infrastructure, information technology and outsourced business services. During the fourth quarter we started to realign the Sales and Marketing organization around these strategic market sectors. This realignment will help Onvia become a trusted partner to the strategic buyer, by improving our knowledge of each industry, and to help the sales force think strategically to identify and solve the business objectives relevant to the needs of our new buyer community.

3. Third, we reorganized the Client Success team to help meet the higher expectations of our clients. Client Success Managers historically have been responsible for both client retention and contract growth. To provide more focus on the client, we separated responsibility for client service from contract cross-sell/upsell into two separate functions.

4. Finally, we created a new team responsible for onboarding and training new clients effectively and consistently which is expected to improve the 1st year experience for our clients. The first 90 days are critical to building an effective solution that fits into the client's workflow. A consistent and focused onboarding program is expected to improve first year retention beginning in the fourth quarter of 2014. Improving the process is more critical than ever, because as new client ACVCs grow, clients have higher expectations of the solutions and service that they receive.

These adjustments to our go-to-market strategy are intended to accelerate new client acquisitions and increase adoption of new solutions throughout the client base, and at the same time, ensure that clients receive maximum value from the Onvia solution.

Our marketing programs communicate a strong strategic message that conveys who we are today and more importantly who we will be in one or two years from now. We must deliver this message consistently and clearly across all of our marketing and communication channels to reposition and build our brand, improve sales effectiveness and drive revenue growth. Our strategic message is an important part of our transition from sales leads to analytics and market intelligence derived from a database of proprietary content with normalized data. Our primary marketing methods include web-based marketing, direct marketing; communication with our website, webinars, participation in trade shows and industry events, client referrals and educational tools, such as webinars. Client retention and nurture marketing campaigns are also an integral part of our strategy.

Agency Relationships

Agency partners bring value through source contributed content and by providing referrals of their business suppliers. As of December 31, 2013, we had approximately 349 active partner agencies in key metropolitan areas nationwide. We continue to sign a variety of government agencies including cities, counties, housing authorities, transportation authorities and school districts.

Technology

We support our operations and business solutions using an advanced technology platform designed to serve a large and rapidly increasing volume of web traffic in a reliable and efficient manner without critical failures. Our systems are designed to:

- Provide fast, secure and highly available visitor access to our websites;
- Validate and process client requests promptly and accurately;
- Provide timely, comprehensive and accurate management-reporting capabilities;
- Accommodate upgrades to features on our websites;
- Scale to accommodate growth in users and content; and
- Provide basic redundancy in case of component failures.

Our systems use a combination of proprietary technologies and commercially available licensed technologies. The backbone of our technology infrastructure consists of database servers running Microsoft SQL Server on enterprise grade server hardware. The front end consists of multiple, redundant web servers that are scalable as operations grow.

Our web servers, database servers, transaction-processing servers and other core systems that conduct essential business operations are housed at a third-party offsite co-location facility. Our co-location vendor provides 24x7 monitoring and engineering support in a climate-controlled and physically secure environment and our on-call operations personnel have 24x7 access to the facility. Our data center has redundant communication lines from multiple Internet Service Providers and has its own emergency power and backup systems. We house some non-critical systems such as development servers, quality assurance servers, and internal application servers at our headquarters in Seattle. All our production platform related servers are in the Seattle area and we do not have a second production site outside this geographical area for redundancy in case of some natural calamity. During 2012, Onvia established a redundant disaster recovery site located outside the Seattle geographical area for the Company mail system which provides full functionality in the event of disaster. The onvia.com website and the CRM systems are not hosted by us: they are both remotely hosted solutions.

In addition to maintaining responsibility for the technical architecture, security and uptime of our business solutions, our technology department works closely with the sales and marketing departments to ensure that client feedback for new features is incorporated into new products and services and that our investment in new product development is aligned with our clients' needs and expectations.

Competition

The market for comprehensive intelligence on the government procurement marketplace is underserved. Competitors include, to a limited extent, bid aggregators, industry analysts and government e-procurement platforms.

Our current and potential competitors include, but are not limited to, the following:

- Information companies that target specific industry verticals that are covered by our services, such as McGraw-Hill Dodge, Reed Construction Data, BidClerk, Contractors Register and Deltek.

- Lead generation and bid matching companies such as FedMarket.com, BidNet, BidSync and GovernmentBids.com.

We may face additional competition in the future as well-funded companies pursue new government procurement and private sector database products and services. We must differentiate ourselves by expanding our database, enhancing and normalizing our data, developing solutions with high switching costs, and maintaining a loyal base of repeat clients. To achieve this we must continually invest in content and software applications to provide our clients with business insight and intelligence on the government procurement market.

We believe that the principal competitive factors affecting our market include, but are not limited to, breadth, depth and timeliness of content, content quality, base of existing clients, and client service. In order to excel at these principal competitive factors, we strive to achieve a superior understanding of our clients, offer valuable solutions to maximize the return on our clients' investment in the public sector market, and sustain an efficient operating model in delivering these solutions. We believe that our current solutions compare favorably to competitive offerings available in the marketplace today based on the depth and breadth of content, daily updates, a comprehensive archive of procurement intelligence and a structured and disciplined customer care program designed to provide sustainable value to our clients during the course of their subscriptions.

Seasonality

Our client acquisition business is subject to some seasonal fluctuations. The second and third quarters are generally slower than the first and fourth quarters for client acquisition. The construction industry is our single largest market and these prospects are typically engaged on projects during the spring and summer months, not prospecting for new work, which causes new client acquisition to decline compared to the first and fourth quarters in the year. For this reason, comparisons of the performance of our business quarter to consecutive quarter may not provide the most relevant information, and so in addition to sequential quarter comparisons our quarterly results and metrics should be considered on the basis of results for the whole year or by comparing results in a quarter with the results in the same quarter of the previous year.

Intellectual Property Rights

Our future success depends in part on intellectual property rights, proprietary rights, and technology. We rely on a combination of copyright, trademark and trade secret laws, employee and third-party nondisclosure agreements and other methods to protect our proprietary rights. We seek to protect our internally developed products, documentation, and other written materials under trade secret and copyright laws, which afford only limited protection. We cannot ensure that any of our proprietary rights will be viable or of value in the future since the validity, enforceability and type of protection of proprietary rights in Internet-related industries is uncertain and still evolving.

We license and will continue to license certain products integral to services from third parties, including products that are integrated with internally developed products and used jointly to provide key content and services. These third-party product licenses may not continue to be available on commercially reasonable terms and we may not be able to successfully integrate such third-party products into our solutions.

We presently have no issued U.S. patents. It is possible that we may not develop future proprietary products or technologies that are patentable and that the patents of others will seriously harm our ability to do business.

We own the following registered trademarks in the U.S. Patent and Trademark Office: ONVIA, ONVIA and Design (current logo with orange circular design), ONVIA DOMINION, DEMANDSTAR, DEMANDSTAR.COM, QUOTEWIRE, BIDWIRE-, and E-JOURNAL OF COMMERCE. We also own the following registered trademarks in Canada: ONVIA, ONVIA.COM, and ONVIA.COM and Design.

Employees

As of March 1, 2014, we had 130 employees with the majority located at our headquarters in Seattle, Washington..

None of our employees are represented by a union or collective bargaining agreement. We have never had a work stoppage and consider relations with our employees to be good.

Geographic Financial Information

During the years ended December 31, 2013 and 2012, substantially all of our revenues were generated from clients located in the United States or Canada, and all sales are denominated in U.S. currency. All of our long lived assets are located in the United States.

Available Information

We file with and furnish to the Securities and Exchange Commission, or SEC, periodic reports, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, proxy and information statements, and other information, along with amendments to such reports. Our SEC filings are posted on the SEC's Web site at *http://www.sec.gov,* which contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. Materials that we file with the SEC are also available at the SEC's Public Reference Room at 100 F Street, NE, Room 1580, Washington, DC 20549. Information regarding the operation of the Public Reference Room may be obtained by calling the SEC at 1-800-SEC-0330. Our annual report on Form 10-K, all other reports and amendments filed with or furnished to the SEC, and our Code of Business Ethics and Conduct are available on the "Investor Relations" section of our website at *www.onvia.com* as soon as reasonably practicable after we have filed them with, or furnished them to, the SEC.

ITEM 1A. RISK FACTORS

In addition to other information in this Report, the following risk factors should be carefully considered in evaluating our business, because such factors may have a significant impact on our business, results of operations and financial condition, and could cause our stock price to decline. The following sections discuss many, but not all, of the risks and uncertainties that may affect our future performance, but is not intended to be all-inclusive. As a result of the risk factors set forth below and elsewhere in this Report, and the risks discussed in our other Securities and Exchange Commission filings, actual future results could differ materially from historical results or those projected in any forward-looking statements.

Risks related to our growth strategy

We began a transformation of our business model in early 2011. Due to the complexity of this turnaround, our quarterly financial results may be subject to fluctuations that may cause material variations in our quarterly operating results and make it difficult to forecast future performance.

In 2013, we entered into Phase II of our transformation plan initiated in 2011 and focused on leveraging the foundation we have built to accelerate growth. Based upon the number of variables within our turnaround plan, our business is subject to execution risk and it may be difficult to project results. Our operating plan considers our ability to execute these initiatives and generate results within a specific timeframe. If we are unable to execute our initiatives as planned, our quarterly financial results may fluctuate and future quarterly results will be affected. A significant portion of our subscription revenue for a particular quarter is derived from transactions that are initiated in previous quarters, because revenue is generally recognized ratably over the subscription term.

Our current and future levels of operating expenses and capital expenditures are based largely on our growth plans and estimates of future revenue. These expenditure levels are, to a large extent, fixed in the short term. We may not be able to adjust spending in a timely manner to compensate for any unexpected revenue shortfall, and any significant shortfall in revenue relative to planned expenditures could harm our business and results of operations.

Our consultative selling approach may not scale business as planned.

We are transitioning our sales organization from a transactional sales process to a consultative sales process. The consultative selling process focuses on fewer, more targeted prospects, which we expect to renew at higher rates with higher ACVC. The consultative sales process requires a longer sales cycle than a transactional model and requires the development of a substantial pipeline of qualified prospects to achieve consistent and predictable results. Due to the complexity of a consultative sale, our sales people may not be able to scale their individual results to maximize profitability. As a result of these risks, our business may not scale as planned.

Our target market of companies with a strategic, long term interest in the public sector organized around three high growth industry market sectors may not be adequate to scale our business as planned.

We are transitioning our sales effort to target companies with a strategic, long term interest in conducting business with the national and regional public sector organized around three high growth industry market sectors: Infrastructure, Information Technology, and Business Services. As a result, we are focusing on fewer prospects. By focusing on target companies in these industry market sectors, we may not identify qualified prospects in other industry market sectors and we may not have adequate industry knowledge to identify prospects within the targeted market sectors. As a result, our business may not scale as planned.

We may not be successful in expanding our channel sales program.

We believe there are close to 1.9 million businesses who are "casual users" of government procurement data. These businesses are not part of our target market, and a portion of our existing client base falls into this category. We intend to focus our sales and marketing efforts on what we believe is a more profitable target market of approximately 30,000 companies who are "power-users" of government procurement data. This strategy may cause lower retention rates for existing clients that are outside of this target market. We plan to partner with companies who can service the casual user segment more economically than we can. If we are unsuccessful in continuing to develop these partnerships, our growth rates will be impacted.

We may fail to attract, hire and retain sales professionals who can effectively communicate the value of our products to our clients and prospects, and they may be unable to achieve expected sales targets.

In order to achieve growth targets, our sales teams must be able to effectively communicate the value of our products to existing and potential clients. We expect to see increases in client retention rates and in new client acquisition revenue. However, our sales goals are aggressive and may not be achieved.

Our competitors may develop similar technologies that are more broadly accepted in the marketplace.

The functionality in Onvia's products provides business intelligence across industry verticals and geographic regions. If competitors introduce products with similar functionality or are able to more effectively market and price their products for broad client acceptance, new client acquisition and existing client retention would be adversely impacted. If we are unable to enhance functionality or increase marketing efforts to offset challenges from competitors, we may lose market share.

Rapid advances in technology and new mediums for distributing information may diminish the value of our service offerings.

Our business model is predicated on providing access to and analysis of hard to find public and private sector information. Information in general is quickly becoming more accessible at a low cost as new distribution mediums, such as blogs, and new search technologies are developed. We may be unable to keep up with the rapid advances in information collection, and new technologies and mediums may be developed that commoditize the value of our services. If this were to occur, our revenues would suffer.

Risks related to our new product strategy

We may fail to introduce new content and products that are broadly accepted by clients and prospects, and there may be delays in the introduction of these tools and products.

We may not adequately identify and capture content that is valuable to new and existing clients. In addition, introducing new content and products is complex and we may not be successful in developing such new offerings on a timely basis, or at all. If client acceptance and adoption of our new products is below our expectations, projected growth rates and client acquisition and retention goals may not be achieved, and financial results would be harmed. We expect to utilize internally developed technology and technology licensed from third parties for the development of new content and products. If we are unable to develop or acquire the required technology on time, or at all, or if the launch of these new products is delayed for any other reason beyond our anticipated launch dates, projected growth rates may not be achieved.

We may be unable to control the cost of ongoing content collection or the cost of collecting new content types to support new product offerings.

We will need to identify cost effective sources and develop efficient collection processes for new content types required to support new product development plans. If we are unable to find new ways to collect content efficiently, and aggregate new content types in a cost effective manner, gross margins may decline.

We may improperly price new product offerings for broad client acceptance.

We have developed pricing strategies for our existing products, and will be required to develop new pricing strategies for planned new product launches. If clients and prospects do not perceive that the pricing of our products is commensurate with the value they receive from the products, or if our sales force is unable to communicate the value of the products, particularly in light of the current economic climate, new client adoption and existing client retention would be adversely impacted.

We may overestimate the value to our clients of sales and marketing intelligence.

We believe there is a large unmet market need for robust public sector sales and marketing information because information that is highly fragmented across different levels of agencies. Our business model assumes that clients will continue to pay recurring subscriptions for our content and delivery solutions and we expect increases in the annual value of these contracts as a result of this. If we have overestimated the value of this information, we will not achieve our forecasted revenue goals.

Financial, economic and market risks

Utilization of our net operating loss carryforwards may be subject to annual limitations under the Internal Revenue Code, or may not be usable at all in the future.

We have substantial net operating loss carryforwards (“NOLs”) that could be used to offset future tax liabilities arising from future taxable income. In 2011, we conducted a study and determined that an “ownership change” occurred in 2001, as defined under Section 382 of the Internal Revenue Code of 1986, as amended (which is generally a greater than a 50 percentage point increase by certain “5% shareholders” over a rolling three-year period). Section 382 imposes an annual limitation on the utilization of net deferred tax assets, such as NOLs and other tax attributes, once an ownership change has occurred. The ownership change which occurred in 2001 resulted in a permanent loss of $180.0 million of our U.S. federal net deferred tax assets. After this impairment, we had $73.0 million in NOLs as of December 31, 2013 available to offset future taxable net income.

It is possible that we could have an additional “ownership change” under Section 382 of the Code in the future and lose a significant portion of our net deferred tax assets, which could have a material adverse effect on our future results of operations and financial condition. As discussed in the following risk factor, we adopted a tax benefits preservation plan in early 2011 to mitigate the risk of future ownership changes.

We had approximately $24.9 million in net deferred tax assets, excluding valuation allowance, as of December 31, 2013. Realization of net deferred tax assets ultimately depends on the existence of sufficient taxable income, including taxable income in prior carryback years, as well as future taxable income. We regularly review our net deferred tax assets for usability based on a history of earnings, expectations for future earnings and expected timing of reversals of temporary differences. In particular, we consider our three-year earnings trend to determine if we have generated cumulative net income or net losses over that period, which the accounting guidance considers significant evidence to evaluate in determining the existence and amount of any valuation allowance. Prior to 2011, we maintained a 100% valuation allowance against our net deferred tax assets because based upon our history of net operating losses, we were uncertain about our ability to generate future net income. Since the end of 2011 through September 30, 2013, we believed, based on evaluation of all available objective positive and negative evidence related to the creation of future taxable net income, that a partial release of our valuation allowance was appropriate. As of December 31, 2012 and through September 30, 2013, we believed that $2.2 million of net deferred tax assets reflected the amount that was more-likely-than-not to be realized in the future.

We continue to evaluate all relevant evidence to estimate the value of our net deferred tax assets. Beginning in the fourth quarter of 2012, we have invested to accelerate top line revenue growth, but revenues did not accelerate as planned in 2013. As a result, we incurred net losses in each of the last five quarters ending December 31, 2013. If projections under our 2014 operating plan are realized, we expect to be in a cumulative three-year net loss position at the end of 2014. Although the 2014 plan projects higher revenue, operating cash flow and Adjusted EBITDA compared to 2013, as a result of the projected cumulative three-year net loss, it is our best judgment that we should no longer conclude that our net deferred tax assets are more-likely-than-not to be utilized. Accordingly we have increased the valuation allowance as of December 31, 2013 to 100% of our net deferred tax assets, which resulted in $2.2 million being recognized as a provision for income taxes in 2013. We may reverse all or a portion of our valuation allowance in the future if it is determined that realization of these benefits is more likely than not.

We adopted a tax benefits preservation plan, designed to preserve the value of our net deferred tax assets, primarily related to net operating loss carryforwards ("NOLs"), which may discourage acquisition and sale of large blocks of our stock and may result in significant dilution for certain stockholders.

In May 2011, our Board of Directors (the "Board") adopted a tax benefits preservation plan in the form of a Section 382 Rights Agreement (the "382 Agreement"), which amends and replaces the previously approved Preferred Stock Rights Agreement, dated November 22, 2002. The 382 Agreement is designed to preserve stockholder value and the value of certain income tax assets primarily associated with NOLs by acting as a deterrent to any person acquiring beneficial ownership of 4.9% or more of Onvia's outstanding common stock without the approval of the Board.

Under the 382 Agreement, one Preferred Stock Purchase Right (each, a "Right") was distributed for each share of Common Stock outstanding as of the close of business on May 23, 2011. Pursuant to the 382 Agreement and at the discretion of our Board, if any person or group becomes the beneficial owner (subject to certain restrictions) of 4.9% or more of the outstanding shares of Common Stock the Rights may become exercisable. Upon exercise of a Right and payment of the purchase price of $20.00 (the "Purchase Price"), the holder will be entitled to receive a number of shares of Common Stock having a market value equal to two times the Purchase Price.

The 382 Agreement may discourage existing 5% stockholders from selling their interest in a single block which may impact the liquidity of Onvia common stock, may deter institutional investors from investing in Onvia stock, and may deter potential acquirers from making premium offers to acquire Onvia, all factors which may depress the market price of our stock or prevent stockholders from receiving a premium in a change in control transaction.

Our Board has formed an independent Rights Plan Committee to establish a process for evaluating indications of interest from shareholders interested in purchasing more than 4.9% of Onvia stock.

Provisions of our charter documents and Delaware law may discourage takeover attempts and depress the market price of our stock.

Provisions of our certificate of incorporation and bylaws, as well as provisions of Delaware law, the state of our incorporation, can have the effect of making it difficult for a third-party to acquire us, even if doing so would be beneficial to our stockholders. These provisions include:

- the classification of our Board of Directors into three classes so that the directors serve staggered three-year terms, which may make it difficult for a potential acquirer to gain control of our Board;

- authorizing the issuance of shares of undesignated preferred stock without a vote of stockholders; and

- non-cumulative voting for the election of directors.

We may require additional financial resources which may not be available on favorable terms or at all.

We believe that our existing cash and investment balances, and projected cash flow from operations, will be sufficient to fund our plans for the next 12 months and the foreseeable future. However, we may require additional financial resources due to changed business conditions, implementation of our strategy or to pursue future business opportunities requiring investments of additional capital. If our existing financial resources are insufficient to satisfy our requirements, we may seek additional borrowings. Credit market conditions may negatively affect debt availability and cost, and, as a result, financing may not be available in amounts or on terms acceptable to us, if at all. In addition, the incurrence of indebtedness would result in debt service obligations and could require us to agree to operating and financial covenants that would further restrict our operations.

Political pressure as a result of deficits and budget shortfalls, including recent developments around the federal budget and the sequester, may lead to reduced spending by federal, state and local government agencies.

Should agencies reduce spending, there may be fewer revenue opportunities to deliver to our clients. Existing clients that leverage our products primarily for new sales leads may perceive a drop in opportunities as a reduction in their return on investment, which could lead to reduced retention rates. In addition, prospects considering an investment in our products may perceive a decline in government spending as a signal that there will be fewer opportunities and they may decide against purchasing a business intelligence solution, or may decide against pursuing public sector opportunities all together, which would negatively impact new client acquisition.

Operational risks

We may not effectively implement new technologies, and new product functionality could fail to perform as designed.

We periodically release products that employ new search technologies and complex database architecture in new and innovative ways. These technologies are usually built in house, or purchased from third party vendors and reengineered to meet our operational needs. If the creative application of these technologies does not work as planned or if we implement these new technologies poorly or in incompatible ways, our new products and services may not function properly, delivery of our products could be disrupted or delayed and our client retention and new client acquisition may suffer.

System failures could cause an interruption in the services of our network and impact our ability to compile information and deliver our products to clients.

Any system failure that causes an interruption in the service of our suite of products, disrupts our ability to aggregate, organize and publish new content, or reduces timely access to and delivery of our content could result in client dissatisfaction, which would impact client acquisition and retention rates. Further, prolonged or ongoing performance problems on our web sites or our application servers, which support bid creation and distribution, could damage our reputation and result in the permanent loss of clients. In the past, system interruptions have made our web sites and application servers totally unavailable, slowed their response time or prevented us from making service available to clients. These problems may occur again in the future.

We may not have sufficient business interruption insurance to cover losses from major interruptions. We deployed our primary business application servers to a secure offsite facility with backup utility power and redundant Internet connectivity in 2008. Our current physical and virtual tape drive based disaster recovery systems are not capable of recovering core business functionality in less than a period of several days depending on severity in the event of a disaster scenario at the offsite facility. Production Information Technology and Research department functions will be operational in the event of a local building disaster so that delivery of our products will not be significantly interrupted as long as the offsite facility is still operational. Our disaster recovery plan does not yet include automated failover of product distribution-related systems, requiring extensive manual intervention to complete the recovery process which could result in prolonged service interruptions and ultimately lower client satisfaction.

Our current technology infrastructure and network software systems may be unable to accommodate our anticipated growth, and we may require a significant investment in these systems to accommodate performance and storage requirements of new and planned products.

Expansion of the historical content contained in our products and future product offerings to clients have and will place significant additional demands on our enterprise-grade technology infrastructure. We add thousands of records to our database each day, which has required us to expand the storage capacity of the database and clients access to this information requires significant computing power based on usage. If new content types or product introductions change current network and computing requirements or if growth in our client base exceeds our expectations, we may be required to make significant investments to upgrade our systems to accommodate such changes, which could negatively impact our cash flows and results of operations. We may not be successful in our efforts to upgrade our systems, or if we do successfully upgrade our systems, we may not do so on time and within budget. Failure to achieve a stable technological platform in time to handle increasing network usage may discourage potential clients from using our network.

We may not be able to attract and retain the services of our executive officers, directors, senior managers and other key employees, which could harm our business.

Our business and operations are substantially dependent on the performance of senior management, directors and key employees. We face competition for the limited pool of these qualified professionals from other companies, some of which have a greater ability to attract and compensate these professionals. Our process for succession planning across all levels of the organization to provide business continuity includes developing, coaching and rewarding high performing employees. The loss and inability to replace any of these employees or directors, including Hank Riner (CEO), Cameron Way (CFO), and Naveen Rajkumar (CIO), and Irv Alpert (EVP), would likely harm our business. In addition, a failure to retain key personnel or hire and train additional qualified personnel as required to support our business, could adversely affect the quality of our products and services, as well as future business and operating results.

We could incur substantial costs in the future as a result of cyber incidents.

As our dependence on digital technologies to conduct operations increases, so does the risk associated with cyber security. We may be unable to prevent targeted, random or accidental breaches of our security and could incur significant costs associated with lost or stolen information, including increased cyber security protection costs, lost revenues, reputational damage or increased litigation.

Political, social or environmental conditions in off-shore locations may impact the collection and delivery of our content and/or development of new products.

Portions of our content are aggregated and/or formatted by off-shore vendors. Delivery of that content may be impacted by local political, social or environmental conditions, which may result in delayed delivery to clients resulting in client dissatisfaction. We also outsource portions of the development of new products to off-shore vendors. Political, social or environmental conditions in those locations may result in delays of new product introductions.

We may be unable to effectively monitor and prevent unauthorized redistribution of our published information.

In the past we have identified a number of entities that have redistributed proprietary information without authorization and against our terms of use. We have been and will continue to be aggressive about monitoring and combating such unauthorized use, and are considering technological avenues for blocking such users from our database. However, if we fail to effectively combat such unauthorized use, our business could be harmed.

Our services and products depend upon the continued availability of licensed technology from third parties, and we may not be able to obtain those licenses on commercially reasonable terms, or at all.

We license, and will continue to license, technology integral to our services and products from third parties. If we are unable to acquire or retain key third-party product licenses or integrate the related third-party products into our network services, our service and product development may be delayed. We also expect to acquire new licenses in the future as our business grows and technology evolves. We may not be able to obtain these licenses on commercially reasonable terms, or at all.

Regulatory, judicial or legislative risks

If we are unable to enforce and protect our intellectual property rights ourcompetitive position may be harmed.

We rely on a combination of copyright, trademark, confidentiality, non-compete and other contractual provisions to protect our intellectual property rights. Despite our efforts to protect our intellectual property rights, unauthorized third parties may obtain and use technology or other information that we regard as proprietary. Our intellectual property rights may not survive a legal challenge to their validity or provide significant protection for us. The laws of certain countries, particularly in emerging markets, do not protect our proprietary rights to the same extent as the laws of the United States. Accordingly, we may not be able to protect our intellectual property against unauthorized third-party copying or use, which could adversely affect our competitive position. Additionally, there can be no assurance that another party will not assert that we have infringed its intellectual property rights.

Future regulations could be enacted that either directly restrict our business or indirectly impact our business by limiting the growth of e-commerce.

We are subject to laws and regulations governing the Internet and e-commerce. These laws and regulations may cover privacy, content, taxation, data protection, copyrights, electronic contracts and other communications, consumer protection, unencumbered Internet access to our services, the design and operations of websites, and the characteristics and quality of products and services. If enacted, unfavorable laws and regulations could limit the market for our services and offerings. Although many regulations might not apply to the business directly, we expect that laws regulating the collection or processing of personal or consumer information could indirectly affect our business. It is possible that legislation could expose companies involved in e-commerce to restrictions or liability, which could limit the growth of e-commerce generally. Legislation could hinder the growth in Internet use and decrease our acceptance as a medium for communication and commerce. If laws were enacted that made our products taxable at the state level, we may be required to pass those additional taxes along to our clients, which would increase the overall cost of our product to our end users and could impact the buying decisions of existing and potential new clients.

Our access to new content from governmental entities and other third parties may be restricted if bid aggregation on the Internet is restricted by law or regulations.

We aggregate new information from various public data sources and do not have exclusive access to this content. We cannot ensure that these data sources will continue to be available in the future. Moreover, public disclosure laws, which require governmental entities to produce bid information directly to members of the public, may negatively impact our business and reduce the value of our services to clients. The loss or the unavailability of data sources in the future, or the loss of right to distribute some of the data sources, would harm our business.

Our proprietary content aggregation technology is integral to our success. If the process of content aggregation becomes regulated in the future and our process for acquiring government bids is no longer cost-effective, our business will be significantly harmed. If new regulations restricting our ability to charge a fee for public bid information are enacted, our business will be significantly harmed.

ITEM 1B.UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

Our headquarters are located in Seattle, Washington. Since January, 2008, we leased approximately 35,000 square feet in two floors of a sixteen-story office complex located at 509 Olive Way, Seattle, Washington.

During the first quarter of 2013, we entered into the first amendment to the lease agreement for our corporate offices. The amendment, among other things, extends the lease term for an additional sixty-five (65) months with a new expiration date of April 30, 2021. In addition, the Amendment reduces the rental area of the premises to approximately 29,606 square feet, after surrender of 5,394 square feet after the execution of the Amendment. We have an additional right to surrender up to 8,898 square feet on or after November 30, 2015 in exchange for reimbursement of unamortized landlord incentives. In addition to base rent, we will be responsible for our proportionate share of annual incremental increases in the building's operating expenses, insurance, and real estate taxes over the 2013 base year. We have a one-time right to terminate the amended lease in its entirety on or after December 1, 2017 in exchange for payment of a termination fee.

ITEM 3. LEGAL PROCEEDINGS

For a discussion regarding our legal proceedings, please refer to the "Legal Proceedings" section of Note 10, "Commitments and Contingencies", in the Notes to Consolidated Financial Statements in this Report, which is incorporated herein by reference.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The executive officers of the Company are as follows:

Name	Age	Position
Henry G. Riner	63	Chief Executive Officer and President
Irvine N. Alpert	62	Executive Vice President
Jennifer T. Bascom	55	Vice President of Sales
Naveen Rajkumar	36	Senior Vice President and Chief Information Officer
Cameron S. Way	42	Senior Vice President and Chief Financial Officer

Henry G. Riner was appointed President and Chief Executive Officer in October 2010. Mr. Riner has served as a Director of the Company since November 2010. From March 2009 until September 2010, Mr. Riner served as President and Chief Executive Officer of OSG Billing Services, an electronic bill presentment and payment company. From 2006 through 2008, Mr. Riner was President and Chief Executive Officer of CoAMS, a trade promotion information services company. From 1997 through 2005, Mr. Riner was President and Chief Executive Officer of SourceLink, a direct marketing information services company. Mr. Riner was President of UMI, a division of the Bell & Howell Company from 1994 through 1997.

Irvine N. Alpert has served as Executive Vice President of the Company since July 2001. From February 1995 to July 2001, Mr. Alpert was the founder and Chief Executive Officer of ProjectGuides, Inc., an architecture, engineering, and construction market information service, which was acquired by Onvia in June 2001. From 1993 to 1995, Mr. Alpert served as President of RCI Environmental, Inc., a regional construction company.

Jennifer T. Bascom has served as Vice President of Sales of the Company since August 2013. She served as the Global Alliances Director at The TAS Group, a cloud-based company that provides sales performance automation solutions, in 2012. Ms. Bascom previously served as a consultant for Microsoft Corporation, a software company, from 2010 to 2012, and a Director of Sales within the Enterprise Partner Group at Microsoft from 2005 to 2009. Ms. Bascom was also previously a Regional Director of Sales at WRQ Inc., a legacy application integration and terminal emulation company, and held various roles including Director of WW Sales Operations at Asymetrix Corporation, a Paul Allen software company that provides presentation and e-learning applications in the B2B marketplace.

Naveen Rajkumar has served as Senior Vice President and Chief Information Officer of the Company since August 2010. Prior to becoming Senior Vice President and Chief Information Officer, Mr. Rajkumar served as Chief Information Officer of the Company from January 2010 to July 2010. From July 1999 to December 2009, Mr.Rajkumar served at Aditi Technologies in various positions, most recently as General Manager.

Cameron S. Way has served as Senior Vice President since August 2012 and Chief Financial Officer of the Company since April 2008. Mr. Way served as Chief Accounting Officer of the Company from June 2005 to April 2008, and as Controller from September 2001 to June 2005. Mr. Way held various other positions within the company prior to 2001. Mr. Way was an Assurance Manager with PricewaterhouseCoopers LLP from January 1994 to August 1999 prior to joining the Company.

PART II

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

Market Information

Our common stock currently trades on the NASDAQ Capital Market under the symbol "ONVI." The table below lists the high and low closing prices per share of our common stock for each quarterly period during the past two fiscal years as reported on the NASDAQ Capital Market.

	Closing Price Range of Common Stock	
	High	**Low**
Year ended December 31, 2012		
First Quarter	$ 4.24	$ 2.85
Second Quarter	3.99	3.54
Third Quarter	3.98	3.51
Fourth Quarter	3.90	3.54
Year ended December 31, 2013		
First Quarter	$ 3.83	$ 3.45
Second Quarter	4.69	3.70
Third Quarter	5.45	4.50
Fourth Quarter	5.00	4.45

Holders

As of March 1, 2014, there were approximately 263 holders of record of Onvia common stock. The number of record holders was determined from the records of the Company's transfer agent and does not include the number of persons whose stock is held in nominee or "street name" accounts through brokers.

Dividends

No cash dividends were declared for the years ended December 31, 2013 and 2012 nor does the Company have the intention to pay cash dividends in the foreseeable future.

Stock Price Performance Graph

The registrant is a Smaller Reporting Company and, therefore, is not required to provide the information under this item.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The registrant is a Smaller Reporting Company and, therefore, is not required to provide the information under this item.

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

The following discussion should be read in conjunction with the Consolidated Financial Statements and accompanying Notes hereto.

Management Overview – 2013 Results and 2014 Priorities

Subscription revenue for the year and quarter ended December 31, 2013 grew 3% and 5%, respectively, over the same periods in 2012. Our annual operating initiatives are designed to drive growth in subscription revenue and Adjusted EBITDA.

Total revenue for the years ended December 31, 2013 and 2012 was flat at $22.0 million. In the fourth quarter of 2013 revenue was $5.6 million, up by 2% compared to the same period last year.

Annual Contract Value, or ACV, increased by 4% to $19.6 million in the fourth quarter of 2013 from $18.8 million one year ago. Growth in ACV indicates that new client acquisitions, contract expansions and improving client retention rates have more than offset the impact of client attrition. ACV represents the aggregate annual value of our subscription contracts and we believe is a leading indicator of future revenue growth.

Annual Contract Value per Client, ACVC, increased 13% to $5,387 per client in the fourth quarter of 2013 compared to $4,775 in the fourth quarter of 2012. We believe, growth in ACVC demonstrates that an increasing number of clients have a strategic interest in the public sector. Companies within this target market typically have higher ACVC and renew at higher rates, which are key attributes of a profitable long-term client.

As of December 31, 2013, Onvia had 3,650 clients, down 8% from 3,950 clients during the same period one year ago. Our strategy is to continue to improve profitability by acquiring and managing fewer strategic clients at higher ACVC. We believe that ACV is a better measure of quarterly sales activity than number of clients.

2013 operating expenses increased 2% to $18.8 million compared to $18.5 million in 2012. Depreciation and amortization increased approximately $210,000 in 2013 due, in part, to the launch of Onvia 6 in March 2013 and Vendor Center in December 2013. In the fourth quarter of 2013, variable sales and marketing costs were up 8% compared to the third quarter of 2013, due primarily to the strong performance by the new client acquisitions. We expense 100% of variable sales cost upon sale, but recognize revenue ratably over the term of subscription. Until we achieve scale, variable sales costs may exceed the incremental revenue generated each period, which negatively impacts short term Adjusted EBITDA and net income.

Adjusted EBITDA (Earnings before Interest, Taxes, Depreciation and Amortization, and non-cash stock-based compensation) for the year ended December 31, 2013 was $2.8 million down 8% from $3.0 million in 2012. Fourth quarter Adjusted EBITDA increased to $605,000, compared to Adjusted EBITDA of $590,000 in the same year-ago period. See "Non-GAAP Financial Measures" below for more information regarding Adjusted EBITDA.

Annual net loss was $2.7 million, or $0.36, per diluted share for the year ended December 31, 2013 compared to net income of $1.5 million, or $0.17 cents per diluted share in 2012. During the year ended December 31, 2012, we released $1.6 million of the valuation allowance against our net deferred tax assets due to our positive historical performance and future profitability projections which resulted in the same amount being recognized as a tax benefit in our net income in 2012.

We consider our three-year earnings trend to determine if we have generated cumulative net income or net losses over that period, which the accounting guidance considers significant evidence to evaluate in determining existence and amount of any valuation allowance. Beginning in the fourth quarter of 2012, we have invested to accelerate top line revenue growth, but revenues did not accelerate as planned in 2013. As a result, we incurred net losses in each of the last five quarters ending December 31, 2013. If projections under our 2014 operating plan are realized, we expect to be in a cumulative three-year net loss position at the end of 2014. Although the 2014 plan projects higher revenue, operating cash flow and Adjusted EBITDA compared to 2013, as a result of the projected cumulative three-year net loss, it is our best judgment that we should no longer conclude that our net deferred tax assets are more-likely-than-not to be utilized. Accordingly we have increased the valuation allowance as of December 31, 2013 to 100% of our net deferred tax assets, which resulted in $2.2 million being recognized as a provision for income taxes in 2013.

We had $24.9 million and $24.8 million of net deferred tax assets, excluding valuation allowance, related to $73 million and $72 million in net operating loss carryforwards, respectively, available to offset future taxable net income at December 31, 2013 and December 31, 2012.

As of December 31, 2013 we held cash and investments of $7.5 million compared to $12.3 million at the end of last year, representing a decrease of $4.8 million during 2013 primarily due to the Company's repurchase of 1.2 million shares of its outstanding common stock from a third party at $3.50 per share on April 4, 2013 for a total purchase price of approximately $4.3 million, excluding transaction fees.

In 2013, we entered into the second phase of business transformation plan intended to accelerate subscription revenue and Adjusted EBITDA and have developed a product roadmap intended to leverage the Company's investment in a rich public sector procurement database. We continue to reposition Onvia's value proposition from an aggregator of public procurement documents to a provider of comprehensive public sector business intelligence and we rebuilt the foundation of the business which we believe is now positioned to deliver accelerating subscription revenue and Adjusted EBITDA.

2013 Results

In 2012 we stabilized the business, and in 2013 we focused on four initiatives intended to accelerate growth in subscription revenue and Adjusted EBITDA. By the end of 2013, subscription revenue began to grow, but a few quarters later than expected, and we did not achieve our Adjusted EBITDA goals as a result of this delay.

- **Our first initiative is to successfully expand new client acquisition.** We measure the success of this initiative by improving new client Annual Contract Value per Client, or ACVC, and the growth rate in client acquisition sales year over year. Business Development bookings for the full year of 2013 increased 28% over the same period last year, and fourth quarter bookings grew 39% over the same period of the last year, compared to 35% growth reported last quarter. New client ACVC increased to $13,599 from $8,891 in the fourth quarter of 2012. This initiative fell short of the annual goal, but results improved significantly over the last two quarters as a result of the changes we made to our go to market strategy.

- **Our second initiative is to maximize growth with our client base and ensure that clients receive the optimal Onvia solution for their public sector objectives**. The success of this initiative is measured by the growth in contract value of existing contracts in 2013 when compared with 2012. In the fourth quarter of 2013, contract value growth increased by 20% compared to the same year ago period. Effective January 2014, we created a new role on the Client Success team responsible for contract expansion which is intended to improve the penetration rate within the existing client base. This initiative was moderately successful, and contract growth from our existing clients will be a high focus in 2014.

- **Our third initiative is to strengthen the value of the database and continue to add solutions to help clients win more government business.** In the fourth quarter of 2013, we launched Vendor Center which provides strategic intelligence on companies that do business with state and local governments. Clients will be able to identify, track and benchmark competitors and potential partners to inform strategic decision making. Vendor Center represents an important step in our strategy to move from lead distribution into public sector market intelligence and analysis.

- **Our fourth initiative is to develop and begin to execute a strategy for Enterprise sales that is scalable for 2014.** Effective January 1, 2014, we combined the Enterprise and SMB sales forces into one sales organization. Since our enterprise strategy is to sell to the division or subsidiary of a large company, this market has similar characteristics and requirements as the high end SMB market. The combined sales team is now focused on selling the same solution to the same type of customer using the same selling process. We have simplified our sales organization so we can respond to market changes faster.

2014 Initiatives

In 2014, Onvia management is focused on four new initiatives intended to accelerate subscription revenue and Adjusted EBITDA by leveraging the solid foundation built over the last three years.

- Our first 2014 initiative is to accelerate Business Development results within our target market. We will measure the success of this initiative by the overall growth in new client bookings and ACVC year over year.

- Our second 2014 initiative is to improve first year client retention and renew our best tenured, long term clients. In the first quarter of 2014, we will begin to disclose revenue retention of the client base.

- Our third initiative is to maximize growth within our existing client base. We will measure the success of this initiative through growth in a new metric, wallet retention (generally, a measure of retained contract value and growth from expiring contracts over the most recent twelve-month period), which we will begin to present in the first quarter of 2014.

- Our fourth and final initiative is to continue to drive enhancements to our existing platform and to deliver solutions that establish Onvia as a strategic business partner with its clients. We will measure this initiative based upon effectiveness of our strategic product releases and their impact on new client ACVC and wallet retention.

Application of Critical Accounting Policies and Management Estimates

Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of commitments and contingencies. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ significantly from our estimates. In addition, any significant unanticipated changes in any of our assumptions could have a material adverse effect on our business, financial condition, and results of operations. We believe the following are our most significant accounting policies and estimates:

Revenue Recognition

Our revenues are primarily generated from subscriptions, content licenses and management reports. Our subscriptions are generally annual contracts; however, we also offer extended multi-year contracts to our subscription clients, and content licenses are generally multi-year agreements. Subscription and content licenses are recognized ratably over the term of the agreement. We also generate revenue from fees charged for management reports, document download services, and other services, and revenue from these types of services is recognized upon delivery, or, if report refreshes are included, ratably over the service period.

Our subscription services and management information reports are also sold together as a bundled offering. Pursuant to the provisions of Accounting Standard Codification, or ASC, 605-25 *Revenue Recognition*, we allocate revenue from these bundled sales ratably between the subscription services and the management reports based on their relative fair values, which are consistent with established list prices for those offerings. We measure and allocate arrangement consideration to one or more units of accounting for separate deliverables. We also establish a selling price hierarchy for determining the selling price of a deliverable.

Unearned revenue consists of payments received for prepaid subscriptions, as well as the invoiced, but unpaid, portion of subscriptions and content licenses whose terms extend into periods beyond the balance sheet date.

Internal Use Software

We account for the costs to develop or obtain software for internal use in accordance with ASC 350-40, *Intangibles – Goodwill and Other subtopic Internal-Use Software*. As a result, we capitalize qualifying computer software costs incurred during the "application development stage." Amortization of these costs begins once the product is ready for its intended use. These capitalized software costs are amortized on a straight-line basis over the estimated useful life of the product, typically 3 to 5 years. The amount of costs capitalized within any period is dependent on the nature of software development activities and projects in each period.

Pursuant to ASC 360, *Property, Plant, and Equipment*, we periodically evaluate the remaining useful lives of internal use software and will record an abandonment if management determine that all or a portion of the asset will no longer be used, or will adjust the remaining useful life to reflect revised estimates for impairment. In addition, if the carrying value of the software exceeds the estimated future cash flows, an impairment will be recorded to reduce the carrying value to the expected realizable value. No assets were impaired during the years ended December 31, 2013 or 2012.

Stock-Based Compensation

We account for stock-based compensation according to the provisions of ASC 718 *Compensation – Stock Compensation*, which requires measurement of compensation cost for all stock-based awards at fair value on the date of grant and recognition of stock-based compensation cost over the requisite service period for awards expected to vest. The fair value of our stock options is determined using the Black-Scholes valuation model. Such value is recognized as expense over the service period, net of estimated forfeitures. The estimate of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from our current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. We consider many factors when estimating expected forfeitures, including employee class and historical experience. There is also significant judgment required in the estimation of the valuation assumptions used to determine the fair value of options granted. Please refer to the discussion of valuation assumptions in Note 2 of the "Notes to Consolidated Financial Statements" of this Report for additional information on the estimation of these variables. Actual results, and future changes in estimates, may differ substantially from our current estimates.

Accounts Receivable and Allowance for Doubtful Accounts

We record accounts receivable for the invoiced portion of our contracts once we have a signed agreement and amounts are billable under the contract. All of our subscription contracts are non-cancellable upon activation. We do not record an asset for the unbilled or unearned portion of our contracts. Accounts receivable are recorded at their net realizable value, after deducting an allowance for doubtful accounts. Such allowances are determined based on a review of an aging of accounts and reflect either specific accounts or estimates based on historical incurred losses. If the financial condition of our clients were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required, and our ability to recognize sales to certain clients may be affected.

Income Taxes

We account for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and for net operating loss, or NOL, carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The deferred tax asset has been reduced by a valuation allowance that reduces the amount of our deferred tax asset to a level that is more-than-likely-than-not to be recognized. In determining the amount of the valuation allowance we consider whether it is more likely that some portion or all of the net deferred tax assets will not be realized. In particular, we consider our three-year earnings trend to determine if we have generated cumulative net income or net losses over that period, which the accounting guidance considers significant evidence to evaluate in determining the existence and amount of any valuation allowance. We also consider positive evidence, such as the improving trends in the leading indicators of revenue growth to evaluate the likelihood of generating taxable net income in the future. The ultimate realization of net deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are expected to be deductible. We will continue to review the estimate of future taxable income and will adjust the valuation allowance accordingly as new information becomes available.

Utilization of the NOL carryforwards may be subject to a substantial annual limitation due to an ownership change that could occur in the future provided by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). These ownership changes may limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382 of the Code, results from transactions increasing the ownership of certain stockholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period.

We performed a Section 382 analysis and identified an ownership change that occurred in September 2001. We believe that, as a result of the annual Section 382 limitation that resulted from the change in control that occurred in September 2001, we will permanently be unable to use a significant portion of our NOL carryforwards that arose before the change in control to offset future taxable income. As such, we reduced our NOL deferred tax asset by the amount of NOLs that we will permanently be unable to utilize, which in turn resulted in a reduction to our valuation allowance.

Non-GAAP Financial Measures

We prepare and publicly release quarterly financial statements prepared in accordance with U.S. generally accepted accounting principles (GAAP). The non-GAAP financial measures we may disclose include Adjusted EBITDA and client metrics such as ACV and ACVC. For a discussion regarding our client metrics, please refer the “Clients” section of Item 1 “Business”. We typically disclose Adjusted EBITDA measures in earnings releases, investor conference calls and filings with the Securities and Exchange Commission. Adjusted EBITDA is not a financial measure calculated and presented in accordance with GAAP and should not be considered as an alternative to net income, operating income or any other financial measures so calculated and presented, nor as an alternative to cash flow from operating activities or as a measure of the company’s liquidity. We define Adjusted EBITDA as net income / (loss) before interest and other non-cash financing costs; taxes; depreciation; amortization; and non-cash stock-based compensation. Other companies (including our competitors) may define Adjusted EBITDA differently. We present Adjusted EBITDA because we believe Adjusted EBITDA to be an important supplemental measure of performance that is commonly used by securities analysts, investors and other interested parties in the evaluation of companies in similar industries and size. Management also uses this information internally for forecasting and budgeting. It may not be indicative of our historical operating results nor is it intended to be predictive of potential future results. Investors should not consider Adjusted EBITDA in isolation or as a substitute for analysis of results as reported under GAAP.

The following table provides reconciliation of GAAP Net (Loss) / Income to Adjusted EBITDA for the indicated periods (in thousands):

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2013	2012	2013	2012
GAAP net (loss) / income	$ (2,419)	$ 1,344	$ (2,725)	$ 1,525
Reconciling items from GAAP to adjusted EBITDA				
Interest and other income, net	(4)	(12)	(22)	(45)
Depreciation and amortization	779	743	3,051	2,841
Amortization of stock-based compensation	74	74	278	239
Provision /(Benefit) for income tax	2,175	(1,559)	2,175	(1,559)
Adjusted EBITDA	$ 605	$ 590	$ 2,757	$ 3,001

Consolidated Results of Operations

The following table provides our selected consolidated results of operations for the indicated periods (in thousands of dollars and as a percentage of total revenue):

	Years Ended December 31,			
	2013		2012	
Revenue:				
Subscription	$ 19,356	87.9%	$ 18,795	85.6%
Content license	1,942	8.8%	2,165	9.9%
Management information reports	435	2.0%	651	3.0%
Other	287	1.3%	341	1.5%
Total revenue	22,020	100.0%	21,952	100.0%
Cost of revenue	3,749	17.0%	3,497	15.9%
Gross margin	18,271	83.0%	18,455	84.1%
Operating expenses:				
Sales and marketing expenses	11,429	51.9%	11,065	50.4%
Technology and development expenses	4,055	18.4%	4,130	18.8%
General and administrative expenses	3,359	15.3%	3,339	15.2%
Total operating expenses	18,843	85.6%	18,534	84.4%
Loss from operations	(572)	(2.6%)	(79)	(0.3%)
Interest and other income, net	22	0.1%	45	0.2%
Loss before income tax	(550)	(2.5%)	(34)	(0.1%)
Provision / (Benefit) for income taxes	2,175	9.9%	(1,559)	(7.1%)
Net (loss) / income	$ (2,725)	(12.4%)	$ 1,525	7.0%

Comparison of Years Ended December 31, 2013 and 2012

Revenue

Total revenue for the years ended December 31, 2013 and 2012 was flat at $22.0 million. Subscription revenue for the year ended December 31, 2013 grew 3% over the same periods in 2012. Our annual operating initiatives are designed to drive subscription revenue growth.

Cost of Revenue

Cost of revenues for the twelve months ended December 31, 2013 and 2012 were as follows (in thousands):

			Increase / (Decrease)	
	2013	2012	Amount	Percent
Twelve months ended December 31,	$ 3,749	$ 3,497	$ 252	7%
Percentage of Revenue	17%	16%		

Our cost of revenue primarily represents payroll-related expenses associated with the research and aggregation of the data in our proprietary database and third-party content fees, and also includes credit card processing fees. The increase for the comparable periods was primarily due to adding an executive position to the team, increased headcount and salary increases.

Sales and Marketing

Sales and marketing expenses for the twelve months ended December 31, 2013 and 2012 were as follows (in thousands):

	2013	2012	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Twelve months ended December 31,	$ 11,429	$ 11,065	$ 364	3%
Percentage of Revenue	52%	50%		

The increase in expenses for the comparable periods is primarily comprised of a $555,000 increase in payroll-related expenses due to increased headcount and higher commissionable sales, a $112,000 increase in amortization expenses related to new products launched in 2013 offset by a $185,000 decrease in allocated facilities costs and other individually immaterial changes. This change was offset in part by $183,000 increase in capitalized internal software costs attributable to the nature of development efforts during the year.

Technology and Development

Technology and development expenses for the twelve months ended December 31, 2013 and 2012 were as follows (in thousands):

	2013	2012	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Twelve months ended December 31,	$ 4,054	$ 4,130	$ (76)	(2%)
Percentage of Revenue	18%	19%		

The decrease in expenses for the comparable periods is primarily attributed to a $197,000 decrease in amortization of licensed software offset by a $73,000 increase in allocated facilities costs, an $87,000 increase in amortization expenses related to new products launched in 2013, and other individually immaterial changes.

General and Administrative

General and administrative expenses for the twelve months ended December 31, 2013 and 2012 were as follows (in thousands):

	2013	2012	Increase / (Decrease) Amount	Increase / (Decrease) Percent
Twelve months ended December 31,	$ 3,359	$ 3,339	$ 20	1%
Percentage of Revenue	15%	15%		

The increase in expenses for the comparable periods was due to individually immaterial changes.

Other Income, Net

Other income, net consists of interest earned on our investment accounts, interest expense associated with capital leases and other miscellaneous income or expense. Other income, net was $22,000, and $45,000 for the years ended December 31, 2013 and 2012, respectively.

Provision / (Benefit) for Income Taxes

During the year ended December 31, 2012, we released $1.6 million of the valuation allowance against our net deferred tax assets due to our positive historical performance and future profitability projections which resulted in the same amount being recognized as a tax benefit in 2012. This release is reflected as an income tax benefit in our results from continuing operations.

We had approximately $24.9 million in net deferred tax assets, excluding valuation allowance, as of December 31, 2013. We consider our three-year earnings trend to determine if we have generated cumulative net income or net losses over that period, which the accounting guidance considers significant evidence to evaluate in determining existence and amount of any valuation allowance. Beginning in the fourth quarter of 2012, we have invested to accelerate top line revenue growth, but revenues did not accelerate as planned in 2013. As a result, we incurred net losses in each of the last five quarters ending December 31, 2013. If projections under our 2014 operating plan are realized, we expect to be in a cumulative three-year net loss position at the end of 2014. Although the 2014 plan projects higher revenue, operating cash flow and Adjusted EBITDA compared to 2013, as a result of the projected cumulative three-year net loss, it is our best judgment that we should no longer conclude that our net deferred tax assets are more-likely-than-not to be utilized. Accordingly we have increased the valuation allowance as of December 31, 2013 to 100% of our net deferred tax assets, which resulted in $2.2 million being recognized as a provision for income taxes in 2013.

Liquidity and Capital Resources

Our principal sources of liquidity are cash, cash equivalents and short-term investments. Our combined cash and cash equivalents and short term investments were $7.5 million at December 31, 2013. At December 31, 2013 we held $5.5 million in FDIC insured or U.S. government backed short-term investments. From December 31, 2012 to December 31, 2013, cash, cash equivalents and short-term investments decreased by $4.8 million for the reasons described below.

On April 2, 2013, we repurchased 1.2 million shares of our outstanding common stock from a third party at $3.50 per share for a total purchase price of approximately $4.3 million, excluding transaction fees as described in the Note 13 “Stock Repurchase” of the notes to our consolidated financial statements of this Report. We believe that our remaining cash balance is adequate to fund operations until Adjusted EBITDA and free cash flow accelerate in the future.

If we engage in merger or acquisition transactions or our overall operating plans change, we may require additional equity or debt financing to meet future working capital needs, which may have a dilutive effect on existing stockholders or may include securities that have rights, preferences or privileges senior to those of the rights of our common stock. We cannot make assurances that if additional financing is required, it will be available, or that such financing can be obtained on satisfactory terms.

Operating Activities

Net cash provided by operating activities was $3.0 million and $2.5 million for the years ended December 31, 2013 and 2012, respectively. The increase in operating cash flow is primarily due to higher cash receipts from our customers net of cash payments to vendors.

Investing Activities

Net cash used by investing activities was $186,000 and $2.0 million for the years ended December 31, 2013, and 2012, respectively.

Purchases of property and equipment and investments in internal use software increased by $1.3 million in the twelve months of 2013 compared to the same period in 2012. We purchased $10.5 million and $15.2 million in short term investments during the twelve months of 2013 and 2012, respectively. During the twelve months of 2013 we received $13.5 million from the sale and maturity of investments, compared to $14.9 million during the same period of 2012. In addition, pursuant to our new lease agreement, we have established a stand by letter of credit which is secured by a security deposit of $150,000 as of December 31, 2013. Also, $45,000 of our security deposit on the lease for our corporate headquarters was returned to us in March 2012.

Financing Activities

Net cash used in financing activities was $4.7 million and $21,000 for the years ended December 31, 2013 and 2012. The increase in cash used by financing activities is primarily due to $4.4 million of stock repurchase discussed above and a $279,000 increase in principal payments on a capital lease for technology equipment in 2013. These increases were offset by a $47,000 increase in proceeds from stock options exercises.

Off-Balance Sheet Arrangements

We did not have any off-balance sheet arrangements as of December 31, 2013.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The registrant is a Smaller Reporting Company and, therefore, is not required to provide the information under this item.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
Onvia, Inc.
Seattle, Washington

We have audited the accompanying consolidated balance sheets of Onvia, Inc. and subsidiary (the "Company") as of December 31, 2013 and 2012, and the related consolidated statements of operations and comprehensive (loss)/ income, stockholders' equity, and cash flows for each of the two years in the period ended December 31, 2013. Our audits also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedules based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ DELOITTE & TOUCHE LLP

Seattle, Washington
March 28, 2014

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

ONVIA, INC.

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2013 AND 2012

	December 31, 2013	December 31, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 2,072,865	$ 3,888,400
Short-term investments, available-for-sale	5,463,406	8,434,944
Accounts receivable, net of allowance for doubtful accounts of $24,751 and $41,548	1,332,509	1,277,562
Prepaid expenses and other current assets	570,098	581,079
Total current assets	9,438,878	14,181,985
LONG TERM ASSETS:		
Property and equipment, net of accumulated depreciation	1,773,012	1,729,689
Internal use software, net of accumulated amortization	5,432,808	5,539,834
Long-term investments	90,444	-
Deferred tax assets, net of current portion	-	2,175,000
Other long-term assets	173,824	91,951
Total long term assets	7,470,088	9,536,474
TOTAL ASSETS	$ 16,908,966	$ 23,718,459
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 834,215	$ 855,348
Accrued expenses	959,652	822,740
Unearned revenue, current portion	7,770,502	7,535,268
Other current liabilities	244,060	630,672
Total current liabilities	9,808,429	9,844,028
LONG TERM LIABILITIES:		
Unearned revenue, net of current portion	649,681	728,398
Deferred rent, net of current portion	586,071	394,277
Other long-term liabilities	97,704	241,463
Total long term liabilities	1,333,456	1,364,138
TOTAL LIABILITIES	11,141,885	11,208,166
COMMITMENTS AND CONTINGENCIES (Note 10)		
STOCKHOLDERS' EQUITY:		
Preferred stock; $.0001 par value: 2,000,000 shares authorized; no shares issued or outstanding	-	-
Common stock; $.0001 par value: 11,000,000 shares authorized; 8,577,732 and 8,528,307 shares issued; and 7,345,189 and 8,528,281 shares outstanding	735	853
Treasury stock, at cost: 1,242,807 and 26 shares	(4,397,803)	(129)
Additional paid in capital	353,458,109	353,077,517
Accumulated other comprehensive gain	(156)	1,281
Accumulated deficit	(343,293,804)	(340,569,229)
Total stockholders' equity	5,767,081	12,510,293
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 16,908,966	$ 23,718,459

See notes to consolidated financial statements.

ONVIA, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE (LOSS) / INCOME
YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Revenue		
Subscription	$ 19,356,245	$ 18,795,370
Content license	1,941,864	2,165,169
Management information reports	434,411	650,909
Other	287,251	341,012
Total revenue	22,019,771	21,952,460
Cost of revenue (exclusive of depreciation and amortization included below)	3,749,178	3,497,271
Gross margin	18,270,593	18,455,189
Operating expenses:		
Sales and marketing	11,429,045	11,065,096
Technology and development	4,054,399	4,130,396
General and administrative	3,359,214	3,338,606
Total operating expenses	18,842,658	18,534,098
Loss from operations	(572,065)	(78,909)
Interest and other income, net	22,490	45,338
Loss before income tax	(549,575)	(33,571)
Provision / (Benefit) for income taxes	2,175,000	(1,559,000)
Net (loss) / income	$ (2,724,575)	$ 1,525,429
Unrealized (loss) / gain on available-for-sale securities	(1,437)	500
Comprehensive (loss) / income	$ (2,726,012)	$ 1,525,929
Basic net (loss) / income per common share	$ (0.36)	$ 0.18
Diluted net (loss) / income per common share	$ (0.36)	$ 0.17
Basic weighted average shares outstanding	7,638,452	8,519,058
Diluted weighted average shares outstanding	7,638,452	8,854,647

See notes to consolidated financial statements.

ONVIA, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net (loss) / income	$ (2,724,575)	$ 1,525,429
Adjustments to reconcile net (loss) / income to net cash provided by operating activities:		
Depreciation and amortization	3,051,283	2,841,359
Idle lease accrual	(73,571)	(69,108)
Stock-based compensation	277,596	239,440
Deferred taxes	2,175,000	(1,559,000)
Change in operating assets and liabilities:		
Accounts receivable	(54,947)	(153,256)
Prepaid expenses and other assets	(10,967)	(102,383)
Accounts payable	2,335	71,964
Accrued expenses	168,632	63,489
Unearned revenue	156,517	(224,305)
Deferred rent	55,038	(146,632)
Net cash provided by operating activities	3,022,341	2,486,997
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(847,378)	(371,738)
Additions to internal use software	(2,158,906)	(1,342,152)
Purchases of investments	(10,495,645)	(15,184,988)
Sales of investments	3,255,517	2,273,152
Maturities of investments	10,210,229	12,625,914
Security deposits	(150,369)	44,615
Net cash used in investing activities	(186,552)	(1,955,197)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Principal payments on capital lease obligations	(375,348)	(96,031)
Repurchase of stock	(4,397,674)	-
Proceeds from exercise of stock options and purchases under employee stock purchase plan	121,698	74,625
Net cash used in financing activities	(4,651,324)	(21,406)
Net (decrease) / increase in cash and cash equivalents	(1,815,535)	510,394
Cash and cash equivalents, beginning of period	3,888,400	3,378,006
Cash and cash equivalents, end of period	$ 2,072,865	$ 3,888,400
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Unrealized (loss) / gain on available-for-sale investments	$ (1,437)	$ 500
Purchases under capital lease obligations	(117,354)	(115,134)
Property and equipment additions in accounts payable	(28,978)	(152,383)
Property and equipment additions in accrued and other curent and long-term liabilities	-	(581,066)
Internal use software additions in accounts payable	(225,809)	(185,973)

See notes to consolidated financial statements.

ONVIA, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2013 AND 2012

	Common stock		Treasury stock		Additional	Accumulated other	Accumulated	
	Shares	Amount	Shares	Amount	paid in capital	comprehensive loss	deficit	Total
BALANCE, January 1, 2012	8,494,264	$ 849	26	$ (129)	$ 352,761,746	$ 781	$ (342,094,658)	$10,668,589
Exercise of stock options	25,375	3			49,093			49,096
Purchases under Employee Stock Purchase Plan	8,642	1			25,528			25,529
Stock-based compensation					241,150			241,150
Unrealized gain on available-for-sale investments						500		500
Net income	-	-	-	-	-	-	1,525,429	1,525,429
BALANCE, December 31, 2012	8,528,281	$ 853	26	$ (129)	$ 353,077,517	$ 1,281	$ (340,569,229)	$12,510,293
Exercise of stock options	56,495	6			145,723			145,729
Stock options held for taxes	(15,847)	(2)			(56,098)			(56,100)
Purchases under Employee Stock Purchase Plan	8,777	1			32,191			32,192
Stock repurchase	(1,242,781)	(124)	1,242,781	(4,397,674)				(4,397,798)
Stock-based compensation					277,596			277,596
Restricted stock units released	13,954	1						1
Restricted stock units held for taxes	(3,690)				(18,820)			(18,820)
Unrealized loss on available-for-sale investments						(1,437)		(1,437)
Net loss	-	-	-	-	-	-	(2,724,575)	(2,724,575)
BALANCE, December 31, 2013	7,345,189	$ 735	1,242,807	$(4,397,803)	$ 353,458,109	$ (156)	$ (343,293,804)	$ 5,767,081

See notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2013 AND 2012

Note 1: Summary of Significant Accounting Policies

Description of business

Onvia (together with its subsidiary, "Onvia" or the "Company") is a leading provider of business information and research solutions that help companies plan, market and sell to government agencies throughout the United States, or U.S. Onvia's business solution provides clients online access to a proprietary database of government procurement opportunities across the federal, state, local, and education sectors. The business intelligence derived from our database allows clients to identify new market opportunities, analyze market trends, and obtain insights about their competitors and channel partners. The Company believes its business solutions provide clients with a distinct competitive advantage, increased revenue opportunities, and strategic insight into the public sector market.

Basis of consolidation

Onvia has a wholly-owned subsidiary in Canada; however, there was no business activity in this subsidiary in the fiscal years ended December 31, 2013 or 2012.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, or GAAP, requires the Company's management to make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant estimates include the fair value of stock-based compensation, allowance for doubtful accounts, recoverability of long-lived assets, idle lease accrual and the valuation allowance for net deferred tax assets. The Company bases its estimates on historical experience and on various other assumptions that it believes to be reasonable under the circumstances. Actual results may differ significantly from the Company's estimates. In addition, any significant unanticipated changes in any of the Company's assumptions could have a material adverse effect on its business, financial condition, and results of operations.

Revenue recognition

Onvia's revenues are primarily generated from client subscriptions, content licenses and management reports. Onvia's subscriptions are generally annual contracts; however, the Company also offers extended multi-year contracts to its subscription clients, and content licenses are generally multi-year agreements. Subscription fees and content licenses are recognized ratably over the term of the agreement. Onvia also generates revenue from fees charged for management reports, document download services, and other services; revenue from these types of services is recognized upon delivery, or, if report refreshes are included, ratably over the service period.

Onvia's subscription services and management reports are also sold together as a bundled offering. The Company allocates revenue from these bundled sales ratably between the subscription services and the management reports based on established list prices for those offerings. The Company measures and allocates arrangement consideration to one or more units of accounting for separate deliverables. The Company also establishes a selling price hierarchy for determining the selling price of a deliverable.

Unearned revenue consists of payments received for prepaid subscriptions, as well as the invoiced, but unpaid, portion of subscriptions and content licenses whose terms extend into periods beyond the balance sheet date.

Fair value of financial instruments

Onvia's financial instruments consist of cash and cash equivalents, short-term investments, accounts receivable, security deposits, accounts payable, and accrued liabilities. The carrying amounts of the current portion of the financial instruments approximate fair value due to their short maturities. The carrying value of the long-term portion of security deposits approximates fair value as the interest rate is at market value. All investments, when held, are classified as available-for-sale and are reported at fair value based on market quotes, and unrealized gains or losses on these investments are recorded in stockholders' equity and reported in comprehensive income.

Cash, cash equivalents and investments

Onvia considers all highly liquid instruments with remaining maturities at purchase of 90 days or less to be cash equivalents. The fair value of the money market funds, included in cash equivalents, at December 31, 2013 and 2012, was classified as Level 1, as amounts were based on quoted prices available in active markets for identical investments as of the reporting date. Investments with original maturities of greater than 90 days, but with remaining maturities of less than one year are classified as short-term, and investments with remaining maturities of 365 days or greater are classified as long-term. All investments are classified as available-for-sale and reported at fair value based on market quotes, and unrealized gains or losses on these investments are recorded in stockholders' equity and reported in comprehensive income.

Management of credit risk

Onvia is subject to concentration of credit risk, primarily from its investments and customer contracts. Onvia manages its credit risk for investments by purchasing investment-grade securities and diversifying its investment portfolio among issuers and maturities. Currently, the Company invests primarily in FDIC insured or government backed funds and securities to mitigate the credit risk associated with its investment portfolio. The Company manages credit risks on customer contracts by adhering to common underwriting practices.

Property and equipment

Equipment and leasehold improvements are stated at cost, net of accumulated depreciation. Depreciation expense on software, furniture, and equipment is recorded using the straight-line method over estimated useful lives of three to five years. Leasehold improvements are depreciated over the shorter of their useful lives or the remaining term of the underlying lease.

The Company periodically evaluates its long-lived assets for impairment. ASC 360-40 requires that an impairment loss be recognized for assets to be disposed of or held-for-use when the carrying amount of an asset is deemed to not be recoverable. If events or circumstances indicate that any of the Company's long-lived assets might be impaired, the Company analyzes the estimated undiscounted future cash flows to be generated from the applicable asset. In addition, the Company records an impairment loss to the extent that the carrying value of the asset exceeds the fair value of the asset. Fair value is generally determined using an estimate of discounted future net cash flows from operating activities or upon disposal of the asset. No assets were impaired during the years ended December 31, 2013 or 2012.

Internal use software

ASC 350-40, *Intangibles – Goodwill and Other subtopic Internal-Use Software*, requires all costs related to the development of internal use software, other than those incurred during the application development stage, to be expensed as incurred. Costs incurred during the application development stage are required to be capitalized and amortized over the estimated useful life of the software. Capitalized software costs are amortized on a straight-line basis over their expected economic lives, typically 3 to 5 years. The amount of costs capitalized within any period is dependent on the nature of software development activities and projects in each period.

Onvia periodically evaluates the remaining useful lives of internal use software and will record an abandonment if management determines that all or a portion of the asset will no longer be used, or will adjust the remaining useful life to reflect revised estimates for impairment in accordance with ASC 360 as described above under "Property and equipment." In addition, if the carrying value of the software exceeds the estimated future cash flows, an impairment will be recorded to reduce the carrying value to the expected realizable value. No assets were impaired during the years ended December 31, 2013 or 2012.

Income taxes

Onvia accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and for net operating loss, or NOL, carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The deferred tax asset has been reduced by a valuation allowance that reduces the amount of our deferred tax asset to a level that is more-than-likely-than-not to be recognized. In determining the amount of the valuation allowance the Company considers whether it is more likely that some portion or all of the net deferred tax assets will not be realized. In particular, the Company considers its three-year earnings trend to determine if it has generated cumulative net income or net losses over that period, which the accounting guidance considers significant evidence to evaluate in determining the existence and amount of any valuation allowance. Onvia also considers positive evidence, such as improving trends in the leading indicators of revenue growth to evaluate the likelihood of generating taxable net income in the future. The ultimate realization of net deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences are expected to be deductible. The Company will continue to review the estimate of future taxable income and will adjust the valuation allowance accordingly as new information becomes available.

Utilization of the NOL carryforwards may be subject to a substantial annual limitation due to an ownership change that could occur in the future provided by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). These ownership changes may limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382 of the Code, results from transactions increasing the ownership of certain stockholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period.

Onvia performed a Section 382 analysis and identified an ownership change that occurred in September 2001. The Company believes that, as a result of the annual Section 382 limitation that resulted from the change in control that occurred in September 2001, it will permanently be unable to use a significant portion of our NOL carryforwards that arose before the change in control to offset future taxable income. As such, the Company reduced its NOL deferred tax asset by the amount of NOLs that it will permanently be unable to utilize, which in turn resulted in a reduction to its valuation allowance.

Treasury stock

Onvia accounts for treasury stock using the cost method. In April 2013, Onvia has repurchased from the Repurchase Stockholders 1,242,781 shares of common stock as discussed in Note 13. As of December 31, 2013, the Company held 1,242,807 shares of treasury stock with a cost basis of $4,397,803. The Company holds the treasury shares to fund matching contributions to its 401K retirement plan for employee contributions. As discussed in Note 11, no treasury shares were used to fund matching contributions for 2013 or 2012 employee contributions.

Other comprehensive income or loss

Comprehensive income or loss is the change in equity from transactions and other events and circumstances other than those resulting from investments by and distributions to owners. Other comprehensive income or loss for Onvia consists of unrealized gains and losses on available-for-sale investments.

Net income or loss per share

Basic income or loss per share is calculated by dividing net income or loss for the period by the weighted average shares of common stock outstanding for the period. Diluted earnings per share is calculated by dividing net income or loss per share by the weighted average common stock outstanding for the period plus dilutive potential common shares using the treasury stock method. In periods with a net loss, basic and diluted earnings per share are identical because inclusion of potentially dilutive common shares would be antidilutive.

For the year ended December 31, 2013, options to purchase 454,684 shares of common stock with exercise prices greater than the average fair market value of our stock during the year of $4.48, were not included in the calculation because the effect would have been anti-dilutive. For the year ended December 31, 2012, options to purchase 529,534 shares of common stock with exercise prices greater than the average fair market value of our stock during the year of $3.71, were not included in the calculation because the effect would have been anti-dilutive.

Recent accounting pronouncements

In July 2013, the Financial Accounting Standards Board ("FASB") issued ASU No. 2013-11, Presentation of Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. This new standard requires the netting of unrecognized tax benefits ("UTB"s) against a deferred tax asset for a loss or other carryforward that would apply in settlement of the uncertain tax positions. Under the new standard, UTBs will be netted against all available same-jurisdiction loss or other tax carryforwards that would be utilized, rather than only against carryforwards that are created by the UTBs. ASU No. 2013-11 is effective for Onvia beginning in the first quarter of 2014, and the Company does not expect that it will have a material impact on its financial statements.

Note 2: Stock-Based Compensation and Stock Option Activity

Onvia measures compensation cost for all stock-based awards at fair value on the date of grant. The fair value of stock options is determined using the Black-Scholes valuation model. Such value is recognized as expense over the service period, net of estimated forfeitures. The estimation of stock awards that will ultimately vest requires judgment, and to the extent actual results or updated estimates differ from the Company's current estimates, such amounts will be recorded as a cumulative adjustment in the period estimates are revised. Management considers many factors when estimating expected forfeitures, including employee class, historical experience and expected future activity. Actual results, and future changes in estimates, may differ substantially from management's estimates.

Stock-Based Benefit Plans

Onvia, Inc. 2008 Equity Incentive Plan

The Onvia, Inc. 2008 Equity Incentive Plan, or the 2008 Plan, was adopted in September 2008 and it amended and restated the previous 1999 Stock Option Plan, or the 1999 Plan. Shares that were outstanding from the 1999 Plan will continue to be outstanding under that plan until forfeited, at which time they would be added back to the 2008 Plan. The 2008 Plan provides for the issuance of incentive and nonqualified common stock options, stock awards, restricted stock, restricted stock units and stock appreciation rights. Awards under this plan can be granted for ten years after the adoption date. The 2008 Plan requires that the exercise price for all options to be at least 100% of the fair market value of the underlying shares on the date of grant. The 2008 Plan contains specific provisions that govern awards in the event of a change in control and provides for compliance with the requirements of Section 409A of the Internal Revenue Code to the extent that awards are treated as deferred compensation. All employees, officers, directors and consultants of Onvia are eligible to participate in the 2008 Plan, although it is not anticipated that every eligible employee or consultant will receive awards. Options under this plan vest in increments over time, but typically have either a four or five year vesting schedule, normally with 25% or 20%, respectively, vesting one year from the grant date and ratable monthly vesting thereafter. As of December 31, 2013 the total number of options outstanding and the number of shares available for issuance under the 2008 Plan were 733,860 and 684,765 respectively.

2000 Directors' Stock Option Plan

In March 2000, Onvia adopted a Directors' Stock Option Plan or the Directors' Plan. This plan expired on February 28, 2010. Options granted under this plan will remain active and will continue to vest according to the original grant provisions. Grants were made under this plan to each eligible board member on the date such person was first elected or appointed as a board member. At each annual stockholders' meeting, each non-employee director was granted an additional option to purchase 1,000 shares of common stock under the Directors' Plan, provided such person had been a board member of Onvia for at least the prior six months. The initial option grants under the Directors' Plan vested 25% each year for four years on the anniversary of the date of grant had a term of ten years, and an exercise price equal to the closing price of Onvia's stock on the grant date. The annual grants vest in full one year from the date of grant, have a ten year life, and an exercise price equal to the closing price on the date of grant. As of December 31, 2008, all shares available for issuance under the Directors' Plan had been granted. Accordingly, on October 23, 2008, the Board of Directors approved the stock option grants with the same terms described above (historically made under our Directors' Plan) under the Company's 2008 Equity Incentive Plan.

Employee Stock Purchase Plan

In May 2000, Onvia adopted the 2000 Employee Stock Purchase Plan, or ESPP, and initially authorized 60,000 shares of common stock for issuance under the ESPP. Each year, the number of shares authorized for issuance under the ESPP is increased by the lesser of: 1% of the total number of shares of common stock then outstanding; 60,000 shares; or a lesser number of shares as determined by the Board of Directors. Under the ESPP, an eligible employee may purchase shares of Onvia common stock, based on certain limitations, at a price equal to the lesser of 85% of the fair market value of the common stock at the beginning or end of the respective offering period. This plan is compensatory under the provisions of ASC 718 and the fair value of purchases under the ESPP is recognized as compensation expense over the term of the awards. The ESPP purchases shares on a semi-annual basis. The total number of shares authorized for future issuance under the ESPP as of December 31, 2013 was 482,297 shares.

Impact on Results of Operations

The impact on Onvia's results of operations of recording stock-based compensation for the years ended December 31 was as follows:

	2013	2012
Cost of sales	$ 7,719	$ 1,027
Sales and marketing	50,916	(3,887)
Technology and development	40,950	54,225
General and administrative	178,011	188,075
Total stock-based compensation	$ 277,596	$ 239,440

Stock-based compensation for the twelve months of 2012 includes the impact of options forfeited upon the departure of our Vice President of Enterprise Sales and Vice President of Content, which resulted in the reversal of approximately $62,000 in previously recognized expenses on forfeited options.

Valuation Assumptions

Onvia calculated the fair value of each option award on the date of grant using the Black-Scholes valuation model. The following weighted average assumptions were used for options granted in the years ending December 31:

	2013	2012
Risk-free interest rate	1.29%	1.00%
Expected volatility	53%	52%
Expected dividends	0%	0%
Expected life (in years)	5.1	4.9

The fair value of each employee purchase under the ESPP is estimated on the first day of each purchase period using the Black-Scholes valuation model. Purchase periods begin on May 1 and November 1 of each year. The following weighted average assumptions were used for purchase periods beginning during the years ended December 31 under the ESPP:

	2013	2012
Risk-free interest rate	0.08%	0.15%
Expected volatility	32%	48%
Expected dividends	0%	0%
Expected life (in years)	0.5	0.5

Risk-Free Interest Rate

The average risk free interest rate was determined based on the market yield for U.S. Treasury securities for the expected term of the grant at the time of grant.

Expected Volatility

Management used the historical volatility of Onvia's common stock to estimate the future volatility of its common stock over the expected term of the options granted for purposes of estimating the fair value of options granted during 2013 and 2012.

Expected Dividends

Management does not currently intend to pay dividends; therefore, this assumption is set at 0%.

Expected Life

Onvia's computation of expected life was determined based on historical experience of similar awards, giving consideration to the contractual terms of the awards, vesting schedules and expectations of future employee behavior. Management was required to estimate future exercise and cancellation behavior, generally by assuming that remaining shares would be exercised or cancelled ratably over their remaining contractual term, adjusted for certain expectations of future employee behavior. Management examined the behavior patterns separately for distinct groups of employees that have similar historical experience.

Stock Option Activity

The following table summarizes activity under Onvia's equity incentive plans for the year ended December 31, 2013:

	Options Outstanding	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)	Aggregate Intrinsic Value (1)
Total options outstanding at January 1, 2013	1,097,236	$ 4.58		
Options granted	141,000	4.18		
Options exercised	(56,495)	2.58		
Options forfeited and cancelled	(47,997)	3.49		
Total options outstanding at December 31, 2013	1,133,744	$ 4.68		
Options exercisable at December 31, 2013	757,647	$ 5.19	4.20	$ 617,644
Options vested and expected to vest at December 31, 2013	1,109,629	$ 4.70	5.40	$ 1,116,854

(1) Aggregate intrinsic value is calculated as the difference between the exercise price of the underlying awards and the quoted price of Onvia's common stock of $4.96 at December 31, 2013 for options that were in-the-money at December 31, 2013. The number of in-the-money options outstanding and exercisable at December 31, 2013 was 729,060 and 386,071 respectively.

The weighted average grant date fair value of options granted during the years ended December 31, 2013 and 2012 was $1.91 and $1.44 per share, respectively. The total intrinsic value of options exercised during the years ended December 31, 2013 and 2012 was $59,646 and $34,362, respectively.

As of December 31, 2013, there was approximately $280,000 of unrecognized compensation cost related to unvested stock options and estimated purchases under the ESPP. That cost is expected to be recognized over a weighted average period of 1.41 years.

During the years ended December 31, 2013 and 2012, respectively, approximately $122,000 and $75,000 was received for exercises of stock options and purchases under Onvia's ESPP.

Restricted Stock Units

The following table summarizes changes in non-vested restricted stock units ("RSUs") for the twelve months ended December 31, 2013:

	Number of shares	Weighted Average Grant Date Fair Value
Non-vested balance at January 1, 2013	13,954	$ 4.12
Granted	-	-
Vested	(13,954)	4.12
Forfeited / Expired	-	-
Non-vested balance at December 31, 2013	-	$ -

All RSUs were granted in the first quarter of 2011 and valued on the grant date based upon the fair value of the underlying common stock on the grant date. Prior to the first quarter of 2011, no RSUs had been granted. The value of the RSUs granted is recognized as compensation expense over the applicable vesting period. The RSUs granted during the first quarter of 2011 have a three year vesting period and were subject to accelerated vesting based upon achievement of 2011 financial targets. The 2011 financial targets were not achieved and these RSU's were fully vested on December 31, 2013. Net shares released on December 31, 2013 were 10,264 and 3,690 shares were withheld to cover taxes. Closing price per share on release date was $4.96.

Note 3: Short-Term Investments

In accordance with ASC 320, *Investments – Debt and Equity Securities*, Onvia classifies short-term investments in debt securities as available-for-sale at December 31, 2013, stated at fair value as summarized in the following table:

	December 31, 2013			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Government backed securities	$ 2,251,972	$ 438	$ (234)	$ 2,252,176
Certificates of Deposit (1)	3,211,546	229	(545)	3,211,230
	$ 5,463,518	$ 667	$ (779)	$ 5,463,406

(1) We evaluated certificates of deposits held as of December 31, 2013 and concluded that they meet the definition of securities as defined in ASC 320.

Onvia accounts for short-term investments in accordance with ASC 820, *Fair Value Measurements and Disclosures,* which defines fair value as the exchange price that would be received for an asset, or paid to transfer a liability (an exit price), in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 also establishes a fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1 – Quoted prices in active markets for identical assets or liabilities;

Level 2 – Observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

Onvia uses the market approach to measure fair value for its financial assets and liabilities. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities. The following table summarizes, by major security type, short-term investments classified as available-for-sale at December 31, 2013, stated at fair value:

	Fair Value Measurements as of December 31, 2013			
	Level 1	Level 2	Level 3	Balance as of December 31, 2013
U.S. Government backed securities	$ -	$ 2,252,176	$ -	$ 2,252,176
Certificate of Deposit	-	3,211,230	-	3,211,230
	$ -	$ 5,463,406	$ -	$ 5,463,406

There were no transfers in or out of Level 1 or Level 2 investments during the fourth quarter of 2012, and there was no activity in Level 3 fair value measurements during that period.

Note 4: Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consist of the following at December 31:

	2013	2012
Prepaid expenses	$ 525,739	$ 529,312
Interest receivable	14,027	35,742
Other receivables	30,332	16,025
	$ 570,098	$ 581,079

Note 5: Security Deposits

Pursuant to Onvia's lease for its current corporate office space, Onvia has established a stand by letter of credit as security to the lease increasing from $100,000 in April 2013, to $125,000 in January 2014 and to $150,000 on January 2015. The letter of credit will be returned at lease termination in April 2021 or earlier as discussed above, subject to standard office lease conditions. As of December 31, 2013, the stand by letter of credit is secured by a security deposit of $150,000.

Note 6: Property and Equipment

Property and equipment consists of the following at December 31:

	2013	2012
Computer equipment	$ 3,575,819	$ 3,980,808
Software	1,837,536	1,695,038
Furniture and fixtures	107,113	107,113
Leasehold improvements	882,602	882,602
Total cost basis	6,403,070	6,665,561
Less accumulated depreciation and amortization	(4,630,058)	(4,935,872)
Net book value	$ 1,773,012	$ 1,729,689

During the twelve months of 2013, Onvia disposed of fully depreciated computer equipment valued at $1,051,000 compared to disposal of $319,000 of fully depreciated computer equipment and $5,000 of fully depreciated software for the same period of 2012.

Depreciation expense was $746,000 and $759,000 for the twelve months ended December 31, 2013 and 2012, respectively.

Note 7: Internal Use Software

Onvia capitalizes qualifying computer software costs incurred during the "application development stage" and other costs as permitted by ASC 350-40, *Intangibles – Goodwill and Other Subtopic Internal-Use Software*. Amortization of these costs begins once the product is ready for its intended use. These costs are amortized on a straight-line basis over the estimated useful life of the product, typically 3 to 5 years. The amount of costs capitalized within any period is dependent on the nature of software development activities and projects in each period.

Onvia periodically evaluates the remaining useful lives and carrying values of internal use software. If management determines that all or a portion of the asset will no longer be used, or the estimated remaining useful life differs from existing estimates, an abandonment will be recorded to reduce the carrying value or adjust the remaining useful life to reflect revised estimates. In addition, if the carrying value of the software exceeds the estimated future cash flows, an impairment will be recorded to reduce the carrying value to the expected realizable value.

The following table presents a rollforward of capitalized internal use software for the twelve months ended December 31, 2013:

	Balance at December 31, 2012	Additions	Balance at December 31, 2013
Capitalized Internal Use Software	$ 12,905,172	$ 2,198,742	$ 15,103,914
Accumulated amortization	(7,365,338)	(2,305,768)	(9,671,106)
	$ 5,539,834	$ (107,026)	$ 5,432,808

Amortization expense related to capitalized software was $2.3 million and $2.1 million for the twelve months ended December 31, 2013 and 2012, respectively.

Note 8: Accrued Expenses

Accrued expenses consist of the following at December 31:

	2013	2012
Payroll and related liabilities	$ 714,481	$ 586,570
Taxes payable and other	245,171	236,170
	$ 959,652	$ 822,740

Other current liabilities consist of the following at December 31:

	2013	2012
Idle lease accrual, current portion	$ -	$ 21,267
Obligations under capital leases, current portion	17,701	94,082
Deferred rent, current portion	37,201	173,958
Other current liabilities	189,158	341,365
	$ 244,060	$ 630,672

Note 9: Income Taxes

The amount of current and deferred income tax (benefit)/expense included in the financial statements for the years ended December 31 was as follows:

	2013	2012
Current Tax (Benefit) / Expense	$ -	$ -
Deferred Tax (Benefit) / Expense	2,175,000	(1,559,000)
Total Income Tax (Benefit) / Expense	$ 2,175,000	$ (1,559,000)

The following table provides reconciliation between the statutory income tax rate and the Company's effective tax rate for the years ended December 31:

	2013	2012
Tax expense at statutory rate	34.0%	34.0%
Stock-based compensation	-9.1%	-111.2%
Amortization of goodwill	3.1%	50.6%
Meals and entertainment	-2.6%	-20.5%
Valuation allowance	-421.2%	4691.1%
Net tax expense	-395.8%	4644.0%

Onvia's deferred tax asset consists of the following as of December 31:

	2013	2012
Deferred Tax Assets		
Net operating loss carryforward	$ 24,809,857	$ 24,631,963
Accrued expenses not currently deductible	1,154,419	1,176,721
Depreciation different for tax purposes	1,000,035	1,054,235
Deferred Tax Asset Total	$ 26,964,311	$ 26,862,919
Deferred Tax Liability		
Prepaid expenses	(186,698)	(182,139)
Depreciation different for tax purposes	(1,847,155)	(1,880,736)
Deferred Tax Liabilities Total	(2,033,853)	(2,062,875)
Net deferred tax asset before valuation allowance	24,930,458	24,800,044
Valuation allowance	(24,930,458)	(22,625,044)
Net deferred tax asset after valuation allowance	$ -	$ 2,175,000

The Company had approximately $24.9 million in net deferred tax assets as of December 31, 2013. Realization of net deferred tax assets ultimately depends on the existence of sufficient taxable income, including taxable income in prior carryback years, as well as future taxable income. Management regularly reviews the net deferred tax assets for usability based on a history of earnings, expectations for future earnings and expected timing of reversals of temporary differences. In particular, the Company considers its three-year earnings trend to determine if it has generated cumulative net income or net losses over that period, which the accounting guidance considers significant evidence to evaluate in determining the existence and amount of any valuation allowance. Prior to 2011, the Company maintained a 100% valuation allowance against its net deferred tax assets because based upon its history of net operating losses, management was uncertain about the Company's ability to generate future net income. Since the end of 2011 through September 30, 2013, management concluded, based on evaluation of all available objective positive and negative evidence related to the creation of future net income, that the weight of the positive evidence was sufficient to conclude that the Company will more-likely-than-not realize a portion of its net deferred tax assets. The Company partially released $1.6 million of its valuation allowance during 2012 which increased its net deferred tax assets to $2.2 million. This release was recognized as an income tax benefit of $1.6 million in 2012. The Company believed at that time and through September 30, 2013, that the net deferred tax asset of $2.2 million reflected the amount that was more-likely-than-not to be realized in the future.

The Company has not consistently generated net income and has generated net losses over the last five quarters. Based upon the analysis of all positive and negative evidence, it is management's current judgment that due to the recent pattern of net losses, the Company can no longer conclude that its net deferred tax assets are more-likely-than-not to be realized. Therefore, the Company increased its valuation allowance to 100% of its net deferred tax assets as of December 31, 2013, which resulted in $2.2 million being recognized as a provision for income taxes in 2013.

The Company may reverse all or a portion of our valuation allowance in the future if it is determined that realization of these benefits is more likely than not. The Company will continue to evaluate the appropriateness of its valuation allowance in consideration of future operating results.

As of December 31, 2013 and 2012 Onvia had available U.S. federal net operating losses in the amount of $72,970,169 and $72,446,952 which expire at various times from 2022 through 2033.

The following is a summary of the changes in our net operating losses available for utilization in future years.

Net operating loss available at December 31, 2012	$ 72,446,952
2013 change in NOL	523,217
Net operating loss available at December 31, 2013	$ 72,970,169

Utilization of the NOL carryforwards may be subject to a substantial annual limitation due to an ownership change that could occur in the future provided by Section 382 of the Internal Revenue Code of 1986, as amended (the "Code"). These ownership changes may limit the amount of NOL carryforwards that can be utilized annually to offset future taxable income and tax, respectively. In general, an ownership change, as defined by Section 382 of the Code, results from transactions increasing the ownership of certain stockholders or public groups in the stock of a corporation by more than 50 percentage points over a three-year period.

Onvia performed a Section 382 analysis and identified an ownership change that occurred in September 2001. The Company believes that, as a result of the annual Section 382 limitation that resulted from the change in control that occurred in September 2001, it will permanently be unable to use a significant portion of our NOL carryforwards that arose before the change in control to offset future taxable income. As such, the Company reduced its NOL deferred tax asset by the amount of NOLs that it will permanently be unable to utilize, which in turn resulted in a reduction to its valuation allowance.

Onvia files an income tax return in the United States. We are no longer subject to federal income tax examination for years before 2009. Onvia also has available NOLs generated in tax years 2001 to 2010 and 2013 that, if used, could be subject to examination by taxing authorities.

Note 10: Commitments and Contingencies

Operating leases

During the first quarter of 2013, Onvia entered into the first amendment to lease agreement for its corporate offices located in Seattle, Washington. The amendment, among other things, extends the lease term for an additional sixty-five (65) months with a new expiration date of April 30, 2021. In addition, the amendment reduces the rental area of the premises to approximately 29,606 square feet, after surrender of 5,394 square feet after the execution of the amendment. Onvia has an additional right to surrender up to 8,898 square feet on or after November 30, 2015 in exchange for reimbursement of unamortized landlord incentives. In addition to base rent, Onvia will be responsible for its proportionate share of annual incremental increases in the building's operating expenses, insurance, and real estate taxes over the 2013 base year. Onvia has a one-time right to terminate the amended lease in its entirety on or after December 1, 2017 in exchange for payment of a significant termination fee.

The office lease contains rent escalation clauses and rent holidays. Rent expense is recorded on a straight-line basis over the lease term with the difference between the rent paid and the straight-line rent expense recorded as a deferred rent liability. Total rent expense associated with real estate operating leases was $760,241 and $764,215 for the years ended December 31, 2013 and 2012, respectively. Onvia also has a non-cancellable operating lease for office equipment, which expires in July 2014.

Future minimum lease payments required on non-cancellable operating leases are as follows for the years ending December 31:

	Real Estate Operating Leases	Office Equipment Operating Lease	Total Operating Leases
2014	$ 739,533	$ 10,647	$ 750,180
2015	759,887	-	759,887
2016	780,241	-	780,241
2017	873,377	-	873,377
2018 and thereafter	3,074,090	-	3,074,090
	$ 6,227,128	$ 10,647	$ 6,237,775

Capital Leases

In March 2013, Onvia entered into non-cancellable capital leases for phone system server equipment and maintenance related to this equipment. Remaining future minimum lease payments required on these capital leases are as follows for the year ended December 31:

	Principal	Interest	Total
2014	$ 33,410	$ 9,547	$ 42,957
2015	35,494	7,463	42,957
2016	37,719	5,238	42,957
2017	40,096	2,861	42,957
2018	24,561	496	25,057
	$ 171,280	$ 25,605	$ 196,885

Purchase Obligations

Onvia has non-cancellable purchase obligations for software development and license agreements, co-location hosting arrangements, telecom agreements, marketing agreements and third-party content agreements. The agreements expire in dates ranging from 2014 to 2016. Future required payments under these non-cancellable agreements are as follows for the years ending December 31:

	Purchase Obligations
2014	$ 788,303
2015	331,186
2016	217,803
	$ 1,337,292

Legal Proceedings

From time to time, legal proceedings may arise in the ordinary course of business. Although the outcomes of legal proceedings are inherently difficult to predict, we are not currently involved in any legal proceeding in which the outcome, in our judgment based on information currently available, is likely to have a material adverse effect on our business or financial position.

Note 11: Employee Retirement Plan

In March 2000, Onvia adopted a Savings and Retirement Plan (the "Retirement Plan"), which is a defined contribution plan. The Retirement Plan is a qualified salary reduction plan in which all eligible employees may elect to have a percentage of their pre-tax compensation contributed to the Retirement Plan, subject to certain guidelines issued by the Internal Revenue Service.

In January 2006, the Retirement Plan was amended to add a discretionary matching contribution, made in either cash or Onvia common stock, up to 25% of every dollar up to 6% of all eligible employee contributions. The matching contributions are subject to a four year vesting schedule, with vesting measured from the employee's date of hire. The Company's Board of Directors has the sole discretion to make matching contributions in the first quarter following each Plan year, and employees must be employed on the last day of the Plan year to be eligible to receive the matching contribution. As of December 31, 2013, 1,242,807 shares were available in treasury. In March 2009, Onvia transferred 8,055 shares from treasury stock into the Retirement Plan to match 2008 employee contributions. The Company recorded $82,000 in non-cash stock-based compensation in 2009 related to this match. Onvia's Board of Directors authorized 10% matching contribution for both 2013 and 2012. This contribution was made in cash in the amount of $29,000 and 30,000 for 2013 and 2012, respectively.

Note 12: Stockholders' Equity

Authorized shares

At December 31, 2013, the number of authorized shares is 13,000,000 with a par value of $0.0001 per share. Authorized shares are comprised of 11,000,000 shares of common stock and 2,000,000 shares of undesignated preferred stock.

Note 13: Stock Repurchase

On April 2, 2013, Onvia entered into a stock purchase agreement with Symphony Technology Group, LLC and certain of its affiliates (the "Repurchase Stockholders") to repurchase shares of Onvia's common stock, par value $0.0001 directly from the Repurchase Stockholders in a private, non-underwritten transaction. Under the terms of the agreement, Onvia has repurchased from the Repurchase Stockholders 1,242,781 shares of common stock at a price of $3.50 per share for a total purchase price of approximately $4.3 million, excluding transaction fees. These shares were repurchased at discount to market price. This transaction does not have any impact on Onvia's Section 382 tax benefits preservation plan.

Note 14: Supplemental Cash Flow Information

Interest expense paid on capital leases during the years ended December 31, 2013 and 2012 was $7,600 and $5,000, respectively.

Note 15: Subsequent Events

None.

Selected Quarterly Financial Information (Unaudited)

The following tables summarize the quarterly financial data for the years ended December 31, 2013 and 2012:

	Three Months Ended			
	March 31, 2013	June 30, 2013	September 30, 2013	December 31, 2013
	(in thousands, except per share amounts)			
Historical Consolidated Statements of Operations and Comprehensive Income Data:				
Revenue	$ 5,498	$ 5,504	$ 5,442	$ 5,576
Gross margin	4,575	4,538	4,481	4,677
Noncash stock-based compensation	73	65	66	74
Total operating expenses	4,704	4,632	4,582	4,925
Loss from operations	(129)	(94)	(101)	(248)
Tax provision / (benefit)	-	-	-	2,175
Net loss	$ (120)	$ (88)	$ (98)	$ (2,419)
Unrealized (loss) / gain on available-for-sale investments	-	(2)	1	-
Comprehensive loss	(120)	(90)	(97)	(2,419)
Basic net loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.33)
Diluted net loss per common share	$ (0.01)	$ (0.01)	$ (0.01)	$ (0.33)
Basic weighted average shares outstanding	8,554	7,367	7,329	7,333
Diluted weighted average shares outstanding	8,554	7,367	7,329	7,333

	Three Months Ended			
	March 31, 2012	June 30, 2012	September 30, 2012	December 31, 2012
	(in thousands, except per share amounts)			
Historical Consolidated Statements of Operations and Comprehensive Income Data:				
Revenue	$ 5,496	$ 5,546	$ 5,419	$ 5,491
Gross margin	4,636	4,697	4,520	4,602
Noncash stock-based compensation	20	72	73	74
Total operating expenses	4,592	4,633	4,480	4,829
Income / (loss) from operations	44	64	40	(227)
Tax provision / (benefit)	-	-	-	(1,559)
Net income	$ 60	$ 72	$ 49	$ 1,344
Unrealized (loss) / gain on available-for-sale investments	-	(1)	1	1
Comprehensive income	60	71	50	1,345
Basic net income per common share	$ 0.01	$ 0.01	$ 0.01	$ 0.16
Diluted net income per common share	$ 0.01	$ 0.01	$ 0.01	$ 0.15
Basic weighted average shares outstanding	8,505	8,520	8,524	8,527
Diluted weighted average shares outstanding	8,802	8,852	8,869	8,864

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

The Company conducted an evaluation (pursuant to Rule 13a-15(b) of the Securities Exchange Act of 1934 (the "Exchange Act")), under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e)) as of December 31, 2013. Based on the evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures were effective as of December 31, 2013.

Report of Management on Internal Control over Financial Reporting

Onvia's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company, as such term is defined in Rule 13a-15(f) and 15d-15(f) promulgated under the Exchange Act. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of the financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only with proper authorizations; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

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

The Company's management, under the supervision of and with the participation of the Chief Executive Officer and the Chief Financial Officer and Principal Accounting Officer, assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2013 based on the framework and criteria established in *Internal Control – Integrated Framework (1992)*, issued by the Committee of Sponsoring Organizations of the Treadway Commission, or COSO. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2013.

This Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the Dodd-Frank Wall Street Reform and Consumer Protection Act, which exempts issuers that are neither accelerated filers nor large accelerated filers, as defined in Rule 12b-2 under the Exchange Act, from Section 404(b) of the Sarbanes-Oxley Act of 2002. This exemption permits us to provide only management's report in this Annual Report on Form 10-K.

Changes in Internal Control over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2013 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

Certain information required by Part III is omitted from this Annual Report on Form 10-K because Onvia intends to file a definitive Proxy Statement for its Annual Meeting of Stockholders (the “Proxy Statement”) not later than 120 days after the end of the fiscal year covered by this Form 10-K, and certain information to be included therein is incorporated herein by reference.

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this item regarding the Company’s directors is incorporated herein by reference to the section entitled “Proposal No. 1: Election of Directors” in the Proxy Statement for the Annual Meeting of Stockholders to be held on May 6, 2014 (“Proxy Statement”). Information relating to compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to the section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement. Information regarding the Company’s audit committee and audit committee financial expert is incorporated herein by reference to the section entitled “Corporate Governance” in the Proxy Statement. Information regarding the Company’s executive officers is set forth under the caption “Executive Officers of the Registrant” in Part 1 of this Annual Report and is incorporated by reference into this Item 10.

The Company adopted a code of ethics applicable to its Chief Executive Officer, Chief Financial Officer, Controller and other finance leaders, which is a “code of ethics” as defined by applicable rules of the Securities and Exchange Commission. This code is publicly available on the Company’s website at www.onvia.com. If the Company makes any amendments to this code other than technical, administrative or other non-substantive amendments, or grants any waivers, including implicit waivers, from a provision of this code to the Company’s Chief Executive Officer, Chief Accounting Officer or Controller, the Company will disclose the nature of the amendment or waiver, its effective date and to whom it applies on its website or in a report on Form 8-K filed with the Securities and Exchange Commission.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to the sections entitled “Executive Compensation,” “Director Compensation,” and “Compensation Committee Interlocks and Insider Participation” in the Proxy Statement.

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

We currently maintain two active compensation plans that provide for the issuance of our common stock to officers, directors, employees, and equity consultants. The two active compensation plans consist of the Onvia, Inc. 2008 Equity Incentive Plan, or the 2008 Plan, and the 2000 Employee Stock Purchase Plan, or ESPP, both of which have been approved by stockholders.

We also have outstanding options under the stockholder approved 2000 Directors’ Stock Option Plan, or Directors’ Plan, which expired on February 28, 2010 and under the Amended and Restated 1999 Stock Option Plan, or the 1999 Plan, which was amended and restated in September 2008 as the 2008 Plan. Options outstanding under both the Directors’ Plan and the 1999 Plan will continue to vest and become exercisable according to the original terms of the grant. However, any options that are forfeited from the Directors’ Plan subsequent to the expiration date will not be available for reissuance. Any grants forfeited from the 1999 Plan will be returned to the 2008 Plan and will be available for future issuance.

The following table sets forth information regarding outstanding options and shares reserved for future issuance under the 2008 Plan, the 1999 Plan, the Directors' Plan, and the ESPP as of December 31, 2013. There were no equity plans not approved by security holders as of December 31, 2013.

EQUITY COMPENSATION PLAN INFORMATION

Plan category	Number of Securities to be Issued on Exercise of Outstanding Options (1)	Weighted-average Exercise Price of Outstanding Options (2)	Securities Available for Future Grant (Excluding Shares Reflected in Column (1)) (3)
Equity compensation plans approved by security holders			
Onvia, Inc. 2008 Equity Incentive Plan	733,860	$ 3.78	684,765
Amended and Restated 1999 Stock Option Plan	365,884	6.43	
2000 Directors' Stock Option Plan	34,000	5.15	
Employee Stock Purchase Plan	-	N/A	482,297
Total	1,133,744	$ 4.68	1,167,062

The information required by Item 403 of Regulation S-K under this item is incorporated by reference to the section entitled "Common Stock Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

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

The information required by this item is incorporated by reference to the sections entitled "Certain Relationships and Related Person Transactions" and "Board of Director and Committee Information" in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The information required by this item is incorporated by reference to the sections entitled "Independent Registered Public Accounting Firm's Fees and Services" in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

Index to Consolidated Financial Statements and Financial Statement Schedules:

1. INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

2. FINANCIAL STATEMENT SCHEDULES

SCHEDULE II – VALUATION AND QUALIFYING ACCOUNTS

Description	Balances at Beginning of Period	Charged to Costs and Expenses	Deductions(1)	Balances at End of Period
Allowance for doubtful accounts				
Year Ended December 31, 2012	$ 37,410	89,032	(84,894)	$ 41,548
Year Ended December 31, 2013	$ 41,548	44,050	(60,847)	$ 24,751

(1) Uncollectible accounts written off, net of recoveries.

Description	Balances at Beginning of Period	Charged to Costs and Expenses	Deductions(2)	Balances at End of Period
Deferred tax assets-valuation allowance(2)				
Year Ended December 31, 2012	$ 24,199	-	(1,574)	$ 22,625
Year Ended December 31, 2013	$ 22,625	2,305	-	$ 24,930

(2) The additions to and reductions in the deferred tax assets-valuation allowance represent the portion of a deferred tax asset for which either: (i) it is more likely than not that a tax benefit will not be realized, or (ii) it is more likely than not a tax benefit will be realized.

Schedules not listed above have been omitted because they are not applicable, are not required or the information required to be set forth in the schedules is included in the consolidated financial statements or related notes.

3. EXHIBITS

Certain of the agreements filed as exhibits to this Form 10-K contain representations and warranties by the parties to the agreements that have been made solely for the benefit of the parties to the agreement. These representations and warranties:

- May have been qualified by disclosure that were made to the other parties in connection with the negotiation of the agreements, which disclosures are not necessarily reflected in the agreements;
- May apply standards of materiality that differ from those of a reasonable investor; and
- Were made only as of specified dates contained in the agreements and are subject to later developments.

Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time, and investors should not rely on them as statements of fact.

Number	Description
3.1	Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3(i).1 to the Form 10-Q for the quarter ended June 30, 2004, filed on August 12, 2004)
3.2	Amended and Restated Bylaws of Onvia (incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed on September, 2011)
3.3	Certificate of Designation, Preferences and Rights of Series RA Junior Participating Preferred Stock of Onvia, Inc., as filed with the Secretary of State of Delaware on May 4, 2011 (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form 8-A filed on May 5, 2011)
4.2	Section 382 Rights Agreement, dated May 4, 2011, by and between Onvia, Inc. and Computershare Trust Company, N.A., as Rights Agent, which includes the Form of Certificate of Designation of Series RA Junior Participating Preferred Stock as Exhibit A, the Form of Rights Certificate as Exhibit B, and the Summary of Rights as Exhibit C (incorporated by reference to Exhibit 4.1 to the Form 8-A Registration Statement filed on May 5, 2011)
10.1*	Onvia, Inc. 2008 Equity Incentive Plan (incorporated by Reference to the 2008 Proxy Statement filed on August 4, 2008)
10.2*	Amended 2000 Employee Stock Purchase Plan (incorporated by Reference to Exhibit 10.4 to the Report on Form 10-Q for the quarter ended September 30, 2008, filed on November 14, 2008)
10.3*	2000 Directors' Stock Option Plan (incorporated by reference to Exhibit 10.26 to the Registration Statement on Form S-1/A filed on February 2, 2000 (File No. 333-93273))
10.4*	Employment Agreement with Irvine N. Alpert dated February 22, 2002 and Commission and Bonus Plan with Irvine N. Alpert dated September 11, 2001 (incorporated by reference to Exhibit 10.4 to the Report on Form 10-K for the year ended December 31, 2001, filed on March 29, 2002)
10.5	Medical Dental Building Lease Agreement between Onvia and GRE 509 Olive LLC, dated July 31, 2007 (incorporated by reference to Exhibit 10.12 to the Report on Form 10-Q for the period ended September 30, 2007, filed on November 14, 2007)
10.6*	Second Amendment to 2000 Employee Stock Purchase Plan (incorporated by Reference to Exhibit 10.13 to the Report on Form 10-Q for the quarter ended March 31, 2010, filed on May 17, 2010)
10.7*	Offer Letter to Henry G. Riner, dated August 26, 2010 (incorporated by Reference to Exhibit 10.15 to the Report on Form 10-Q for the quarter ended September 30, 2010, filed on November 15, 2010)
10.8*	Form of Indemnification Agreement between Onvia and each of its officers and directors approved by Board of Directors on August 30, 2011 (incorporated by reference to exhibit 10.1 to the Report on Form 10-Q for the quarter ended March 31, 2012, filed May 14, 2012)
10.9	First Amendment to Lease, dated as of April 4, 2013, by and between Onvia, Inc. and GRE 509 Olive LLC (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed on April 4, 2013)
10.10	Stock Purchase Agreement, dated as of April 2, 2013, by and among Onvia, Inc., Symphony Technology Group, LLC and certain affiliates of Symphony Technology Group, LLC. (incorporated by reference to Exhibit 10.1 to the Report on Form 8-K filed on April 2, 2013)
10.11*++	Management Incentive Plan
10.12*++	2014 Variable Compensation Plan for Irvine N. Alpert
10.13*++	Executive Severance Arrangements

23.1++	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm
31.1++	Certification of Henry G. Riner, Chief Executive Officer and President of Onvia, Inc., Pursuant to Rule 13a-14(a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2++	Certification of Cameron S. Way, Chief Financial Officer and Principal Accounting Officer of Onvia, Inc., Pursuant to Rule 13a-14 (a)/15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1++	Certification of Henry G. Riner, Chief Executive Officer and President of Onvia, Inc., 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 Cameron S. Way, Senior Vice President and Chief Financial Officer of Onvia, Inc., Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101++	101.INS XBRL Instance Document 101.SCH XBRL Taxonomy Extension Schema 101.CAL XBRL Taxonomy Extension Calculation Linkbase 101.LAB XBRL Taxonomy Extension Label Linkbase 101.PRE XBRL Taxonomy Extension Presentation Linkbase 101.DEF XBRL Taxonomy Extension Definition Linkbase

* Executive Compensation Plan or Agreement
++ Filed Herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Seattle, State of Washington, on March 28, 2014.

ONVIA, INC.

By: /s/ HENRY G. RINER
Henry G. Riner
President and Chief Executive Officer

By: /s/ CAMERON S. WAY
Cameron S. Way
Senior Vice-President and Chief Financial Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that each of the undersigned, being a director or officer of Onvia, Inc., a Delaware corporation (the "Company"), hereby constitutes and appoints Henry G. Riner and Cameron S. Way, and each of them, his true and lawful attorney-in-fact and agent, with full power of substitution and re-substitution, for him and in his name, place and stead in any and all capacities, to sign one or more Annual Reports for the Company's fiscal year ended December 31, 2013, on Form 10-K under the Securities Exchange Act of 1934, as amended, any amendments thereto, and all additional amendments thereto, each in such form as they or any one of them may approve, and to file the same with all exhibits thereto and other documents in connection therewith with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done so that such Annual Report shall comply with the Securities Exchange Act of 1934, as amended, and the applicable Rules and Regulations adopted or issued pursuant thereto, as fully and to all intents and purposes as he might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them or their substitute or re-substitute, may lawfully do or cause to be done by virtue hereof.

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

Signature	Title	Date
/S/ HENRY G. RINER **Henry G. Riner**	Chief Executive Officer, President and Director	March 28, 2014
/S/ CAMERON S. WAY **Cameron S. Way**	Senior Vice-President and Chief Financial Officer	March 28, 2014
/S/ JEFFREY C. BALLOWE **Jeffrey C. Ballowe**	Director	March 28, 2014
/S/ JAMES L. BRILL **James L. Brill**	Director	March 28, 2014
/S/ ROBERT G. BROWN **Robert G. Brown**	Lead Director	March 28, 2014
/S/ ROGER L. FELDMAN **Roger L. Feldman**	Director	March 28, 2014
/S/ MICHAEL E.S. FRANKEL **Michael E.S. Frankel**	Director	March 28, 2014
/S/ D. VAN SKILLING **D. Van Skilling**	Chairman of the Board	March 28, 2014

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