

CREATIVE REALITIES, INC.

FORM 8-K (Current report filing)

Filed 05/28/15 for the Period Ending 05/20/15

Address	55 BROADWAY 9TH FLOOR NEW YORK, NY 10006
Telephone	212-324-6660
CIK	0001356093
Symbol	CREX
SIC Code	7373 - Computer Integrated Systems Design
Industry	Software & Programming
Sector	Technology
Fiscal Year	12/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

CURRENT REPORT PURSUANT TO
SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported): May 20, 2015

CREATIVE REALITIES, INC.
(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction
of incorporation)

001-33169

(Commission
File Number)

41-1967918

(IRS Employer
Identification No.)

55 Broadway, 9th Floor, New York NY 10006
(Address of principal executive offices)

(212) 324-6660
(Registrant's telephone number, including area code)

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
-
-
-

Item 1.01. Entry into a Material Definitive Agreement.

On May 20, 2015, Creative Realities, Inc. offered and sold to Slipstream Communications, LLC a subordinated secured promissory note in the principal amount of \$ 465,000 and a five-year warrant to purchase up to 762,295 shares of Creative Realities' common stock at a per-share price of \$0.31, in a private placement exempt from registration under the Securities Act of 1933.

Obligations under the subordinated secured promissory note are secured by a second lien security interest in the accounts receivable of Creative Realities. This security interest is second in priority after the grant made to Mill City Ventures III, Ltd. on February 18, 2015.

The subordinated secured promissory note bears interest at the annual rate of 12%, and matures on May 20, 2016. At any time prior to the maturity date, Slipstream Communications may convert the outstanding principal and accrued and unpaid interest into Creative Realities' Series A 6% Convertible Preferred Stock, together with common stock purchase warrants. Upon the consummation of one or a series of related financing transactions of Creative Realities in which the gross proceeds to be received by Creative Realities aggregate to at least \$3,000,000 of debt financing (a "Qualified Financing"), Slipstream Communications must convert the principal amount of the subordinated secured promissory note plus accrued but unpaid interest, together with an additional conversion premium equal to 25% of the then-outstanding principal and interest amount, into either (i) the same debt securities offered and sold in the Qualifying Financing, or (ii) debt securities of Creative Realities that are subordinated to the debt securities offered and sold in the Qualifying Financing.

The foregoing disclosure is qualified by the forms of the subordinated secured promissory note and warrant attached this report as Exhibits 10.1 and 10.2, respectively.

Creative Realities offered the securities set forth in this Item 1.01 in reliance on the statutory exemption from registration under Section 4(a)(2) of the Securities Act, including Rule 506 thereunder. The Company relied on this exemption based on the fact that the investor is an accredited investor. Such offer and sale of securities in the private placement were not registered under the Securities Act of 1933, and therefore such securities may not be offered or sold in the United States absent registration or an applicable exemption from registration requirements. The disclosure about the private placement contained in this report does not constitute an offer to sell or a solicitation of an offer to buy any securities of the Company, and is made only as required under applicable rules for filing current reports with the SEC, and as permitted under Rule 135c of the Securities Act of 1933.

Item 2.03. Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant.

The disclosures in Item 1.01 regarding Creative Realities' sale of a subordinated secured promissory note and related warrant are hereby incorporated into this Item. Creative Realities' obligations under the subordinated secured promissory note may be accelerated upon customary events, such as payment defaults and events of bankruptcy.

Item 3.02. Unregistered Sales of Equity Securities.

The disclosures in Item 1.01 are hereby incorporated into this Item.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits

10.1 Subordinated Secured Promissory Note dated May 20, 2015, issued in favor of Slipstream Communications, LLC (*filed herewith*)

10.2 Warrant dated May 20, 2015, issued in favor of Slipstream Communications, LLC (*filed herewith*)

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

CREATIVE REALITIES, INC.:
(REGISTRANT)

By: /s/ John Walpuck

JOHN WALPUCK
*Interim Chief Executive Officer,
Chief Financial Officer and
Chief Operating Officer*

Dated: May 28, 2015

Exhibit Index

Exhibit No.	Description
10.1	Subordinated Secured Promissory Note dated May 20, 2015, issued in favor of Slipstream Communications, LLC
10.2	Warrant dated May 20, 2015, issued in favor of Slipstream Communications, LLC

SUBORDINATED SECURED PROMISSORY NOTE

\$465,000.00

May 20, 2015
New York County, New York

1. **PROMISE TO PAY.** FOR VALUE RECEIVED, Creative Realities, Inc., a Minnesota corporation (the “Maker”), hereby promises to pay to Slipstream Communications, LLC, a Delaware limited liability company, or its assigns (the “Holder”), the principal amount of Four Hundred Sixty-Five Thousand and No/100 Dollars (\$465,000.00) (the “Principal Amount”). Except as set forth below, all payments shall be made at the direction of Holder.
 2. **INTEREST.** The Principal Amount of this Note will bear interest at the *per annum* rate of twelve percent (12%), one-half of which accrued interest shall be payable in cash and one-half of which accrued interest shall be added to the Principal Amount of this Note. Accrued but unpaid interest under this Note will be paid by Maker to Holder on a quarterly basis within ten business days of the end of each calendar quarter. Notwithstanding the foregoing, from and after a Default, as defined in Section 5 below, interest shall accrue on the Default Principal at the *per annum* rate of fourteen percent (14%).
 3. **SECURITY.** Maker hereby grants Holder, as collateral security for all obligations under this Note, a second lien security interest in the accounts receivable of Maker. This security interest shall be second in priority after the grant made to Mill City Ventures III, Ltd.
 4. **CONVERSION OR PAYMENT AT MATURITY.** The entire Principal Amount of this Note, and all other sums owing hereunder (including accrued but unpaid interest), will be due and payable on the one-year anniversary of the date of this Note; provided, however, that the entire Principal Amount under this Note, together with all other sums owing hereunder (including accrued but unpaid interest) (collectively, the “Conversion Amount”), shall be convertible into other securities of the Maker as specified below:
 - (i) At any time prior to maturity, at the election of the Holder (made through a writing signed by the Holder and delivered to the Maker), the Conversion Amount may be converted into Series A 6% Convertible Preferred Stock of the Maker, together with common stock purchase warrants on the same economic basis as those earlier sold on August 18, 2014 (the “Preferred Offering”) (with the understanding that shares of common stock issuable upon any conversion of the Series A 6% Convertible Preferred Stock of the Maker, and the shares of common stock issuable upon any exercise of common stock purchase warrants, will constitute “Registrable Securities” under, and as defined in, that certain Securities Purchase Agreement of the Maker and the purchasers of preferred stock dated as of August 18, 2014, the form of which was filed by the Maker on August 22, 2014, with the United States Securities and Exchange Commission as an exhibit to a Current Report on Form 8-K (the “Series A Purchase Agreement”), and the Holder will thereupon have the same registration rights with respect to such Registrable Securities as set forth in the Series A Purchase Agreement). In the event of a conversion of this Note into Series A 6% Convertible Preferred Stock, the Maker and Holder shall execute and deliver such additional documentation as may be reasonably requested by either party to fulfill the intents and purposes of causing the common stock into which the Series A 6% Convertible Preferred Stock is convertible and the common stock issuable upon exercise of the related warrants to be treated as “Registrable Securities” in the manner described above.
-

- (ii) If the Maker obtains gross proceeds, in one or a series of related financing transactions, aggregating to at least \$3,000,000 of debt financing (a “Qualifying Financing”), then Holder must, within five business days thereafter, either—
- a. convert the Conversion Amount, together with an additional conversion premium equal to 25% of the then-outstanding Principal Amount, into those debt securities offered and sold in the Qualifying Financing (in which case the Holder must execute and deliver with the Maker the substantially identical purchase documentation as involved in the Qualifying Financing and surrender this Note to the Maker); or
 - b. convert the Conversion Amount, together with an additional conversion premium equal to 25% of the then-outstanding Principal Amount, into debt securities of the Maker that are subordinated to those debt securities offered and sold in the Qualifying Financing (in which case the Holder must execute and deliver customary purchase documentation with the Maker and surrender this Note to the Maker); provided, however, that any such subordinated debt securities shall include (i) an interest rate equal to the higher of the rate of interest provided for in the Qualifying Financing or the rate of interest provided for under this Note, and (ii) continued quarterly payments of accrued but unpaid interest.
 - c. Any election by Holder under this paragraph (ii) shall be made pursuant to a writing signed by Holder and delivered to the Maker.

5. DEFAULT. A default shall be deemed to have occurred under this Note if (each a “Default”): (i) Maker fails to comply with any of the terms of this Note, which failure continues uncured for more than ten days after written notice thereof to Maker; (ii) Maker should dissolve; (iii) Maker commences a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of its or any part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due; (iv) an involuntary case or other proceeding shall be commenced against Maker seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed and unstayed for a period of 45 days; or (v) an event of default occurs under any of the agreements by and between Maker and Mill City Ventures III, Ltd. In the event of Default, Holder shall have the remedies provided for in this Note under Section 5.

6. REMEDIES UPON DEFAULT. In the case of a Default, then 125% of the entire Principal Amount (the “Default Principal”), together with all accrued but unpaid interest on the Principal Amount, shall (upon demand made to Maker) become due and payable on said date. In addition, as set forth in Section 2 above, the Default Principal shall, from and after the date of acceleration as demanded by Holder, accrue interest at the Default Rate. The remedies of Holder as provided herein shall be cumulative and concurrent with all other remedies provided by law or in equity, and such remedies may be pursued singly, successively or together at the sole direction of Holder and may be exercised as often as occasion therefor shall arise. Holder reserves all other rights and remedies available to Holder under this Note and applicable law.
7. WAIVERS. Maker hereby waives demand, presentment, notice of non-payment, dishonor, protest, and notice of protest. Holder’s failure to exercise its option to accelerate this Note or any other remedy upon a Default shall not constitute a waiver of Holder’s right to exercise such option thereafter.
8. COVENANTS.
- (i) Without the express written consent of the Holder or unless as part of a Qualifying Financing, the Maker will not issue any debt securities, either senior in right of payment or in respect of the collateral security granted hereunder, during such time as this Note remains outstanding.
 - (ii) During such time as any amounts remain owing under this Note, Maker shall not declare or pay any cash dividends on common stock of Maker or redeem any shares of capital stock of Maker.
9. INDEMNITY & RELEASE.
- (i) As an inducement to make the loan evidenced by this Note, the Maker hereby agrees to indemnify and hold harmless Holder and its affiliated entities, including but not limited to Pegasus Capital, and each of their respective directors, officers, managers, partners, employees, and agents (collectively, the “Indemnified Parties”), from and against any legal claims brought against them and relating in any way to their ownership or investment in the Maker (including the investment evidenced by this Note) or to the merger agreement and related transaction by and among the Maker, Creative Realities, LLC and WRT Acquisition, LLC; provided, however, that the Maker shall not be obligated hereunder to indemnify any Indemnified Parties for claims involving intentional fraud or embezzlement relating to any of the above-identified matters, or for any actions or omissions constituting bad faith, gross negligence or wilful misconduct.

(ii) In addition, the Maker hereby fully and finally releases and waives to the maximum extent permitted by applicable law the following legal and equitable claims against the Indemnified Parties up to the moment that the Maker signs and delivers this Note (except as described in the proviso at the end of this sentence): all claims the Maker has now, whether or not the Maker now knows about or suspects the claims, relating in any way to the ownership or investment in the Maker (including the investment evidenced by this Note) by the Indemnified Parties or to the merger agreement and related transaction by and among the Maker, Creative Realities, LLC and WRT Acquisition, LLC; provided, however, that the Maker is not hereby releasing any Indemnified Parties from any claims, or any rights to sue such parties, relating to conduct constituting intentional fraud or embezzlement.

10. COLLECTION COSTS. Maker shall pay all reasonable costs and expenses of collection, including without limitation all court costs and reasonable attorneys' fees incurred in collecting amounts due under this Note, or in exercising or defending, or obtaining the right to exercise, the rights of Holder under this Note, whether or not suit is brought, and in foreclosure, in bankruptcy, insolvency, arrangement, reorganization and other debtor-relief proceedings, in probate, in other court proceedings, or otherwise, whether or not Holder prevails therein.

11. GENERAL PROVISIONS. This Note may not be modified, amended or terminated unless in writing signed by Maker and Holder. This Note will be construed and interpreted in accordance with the laws of the State of New York without regard to its conflicts-of-law-principles. This Note is binding upon and inures to the benefit of Make and Holder and their respective heirs, executors, administrators, successors and permitted assigns. Nevertheless, this Note is non-negotiable and non-delegable and neither any rights nor any obligations under this Note may be assigned by Holder or Maker without the prior written consent of the other. The Maker hereby represents and warrants to the Holder that the Maker has obtained any necessary consents or waivers of restrictive covenants from third parties, including without limitation the holders of issued and outstanding Series A 6% Convertible Preferred Stock. Any written notices or elections hereunder shall be delivered to the Holder at _____, and to the Maker at 55 Broadway, 9th Floor, New York, NY 10006 (copy to Maslon LLP, attention Paul D. Chestovich, 3300 Wells Fargo Center, 90 South Seventh Street, Minneapolis, MN 55402).

* * * * *

ACCORDINGLY, this Subordinated Secured Promissory Note is effective as of the date first written above.

MAKER:

CREATIVE REALITIES, INC.

By: /s/ John Walpuck

JOHN WALPUCK

*Chief Financial Officer and
interim Chief Executive Officer*

NEITHER THIS WARRANT NOR ANY OF THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES LAWS OF ANY OTHER JURISDICTION. BY ACQUIRING THIS WARRANT, HOLDER REPRESENTS THAT HOLDER WILL NOT SELL OR OTHERWISE DISPOSE OF THIS WARRANT OR THE SECURITIES FOR WHICH IT MAY BE EXERCISED WITHOUT REGISTRATION OR COMPLIANCE WITH AN EXEMPTION FROM REGISTRATION UNDER THE AFORESAID ACTS AND THE RULES AND REGULATIONS THEREUNDER.

WARRANT TO PURCHASE COMMON STOCK

Number of Shares of Common Stock: 762,295

Date of Issuance: May 20, 2015 (“Issuance Date”)

THIS CERTIFIES THAT , for value received, Slipstream Communications, LLC, a Delaware limited liability company (including any permitted and registered assigns, the “Holder”), is entitled to purchase from Creative Realities, Inc., a Minnesota corporation (the “Company”), up to 762,295 shares of Common Stock (the “Warrant Shares”) at the Exercise Price then in effect. This Warrant to Purchase Common Stock (this “Warrant”) is issued by the Company in connection with the Company’s offer and sale to the Holder of a Subordinated Secured Promissory Note in the original principal amount of \$465,000, dated of even date herewith (the “Note”). For purposes of this Warrant, the term “Exercise Price” shall mean \$0.31 per share, subject to adjustment as provided herein, and the term “Exercise Period” shall mean the period commencing on the Issuance Date and ending on 5:00 p.m. New York time on the five-year anniversary of the date of this Warrant.

1. **EXERCISE OF WARRANT**.

(a) *Mechanics of Exercise* . Subject to the terms and conditions hereof, the rights represented by this Warrant may be exercised in whole or in part at any time or times during the Exercise Period by delivery of a written notice, in the form attached hereto as Exhibit A (the “Exercise Notice”), of the Holder’s election to exercise this Warrant. The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the third Trading Day following the date on which the Company shall have received the Exercise Notice, and upon receipt by the Company of (i) payment to the Company of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the “Aggregate Exercise Price” and together with the Exercise Notice, the “Exercise Delivery Documents”) in cash or by wire transfer of immediately available funds or (ii) notification from the Holder that this Warrant is being exercised pursuant to a Cashless Exercise, as defined below, the Company shall issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the Company’s share register in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder is entitled pursuant to such exercise. Upon delivery of the Exercise Delivery Documents, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date of delivery of the certificates evidencing such Warrant Shares.

(b) *No Fractional Shares* . No fractional shares shall be issued upon the exercise of this Warrant as a consequence of any adjustment pursuant hereto. All Warrant Shares (including fractions) issuable upon exercise of this Warrant may be aggregated for purposes of determining whether the exercise would result in the issuance of any fractional share. If, after aggregation, the exercise would result in the issuance of a fractional share, the Company shall, in lieu of issuance of any fractional share, pay the Holder otherwise entitled to such fraction a sum in cash equal to the product resulting from multiplying the then current fair market value of a Warrant Share by such fraction.

2. ADJUSTMENTS. The Exercise Price and the number of Warrant Shares shall be adjusted from time to time as follows:

(a) *Subdivision or Combination of Common Stock* . If the Company at any time on or after the date of the Note subdivides (by any stock split, stock dividend, recapitalization or otherwise) one or more classes of its outstanding shares of Common Stock into a greater number of shares, the Exercise Price in effect immediately prior to such subdivision will be proportionately reduced and the number of Warrant Shares will be proportionately increased. If the Company at any time on or after the date of the Note combines (by combination, reverse stock split or otherwise) one or more classes of its outstanding shares of Common Stock into a smaller number of shares, the Exercise Price in effect immediately prior to such combination will be proportionately increased and the number of Warrant Shares will be proportionately decreased. Any adjustment under this Section 2(a) shall become effective at the close of business on the date the subdivision or combination becomes effective.

(b) *Distribution of Assets* . If the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders of shares of Common Stock, by way of return of capital or otherwise (including without limitation any distribution of cash, stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement or other similar transaction) (a “Distribution”), at any time after the issuance of this Warrant, then, in each such case:

(i) any Exercise Price in effect immediately prior to the close of business on the record date fixed for the determination of holders of shares of Common Stock entitled to receive the Distribution shall be reduced, effective as of the close of business on such record date, to a price determined by multiplying such Exercise Price by a fraction of which (i) the numerator shall be the Closing Sale Price of the shares of Common Stock on the Trading Day immediately preceding such record date minus the value of the Distribution (as determined in good faith by the Company’s Board of Directors) applicable to one share of Common Stock, and (ii) the denominator shall be the Closing Sale Price of the shares of Common Stock on the Trading Day immediately preceding such record date; and

(ii) the number of Warrant Shares shall be increased to a number of shares equal to the number of shares of Common Stock obtainable immediately prior to the close of business on the record date fixed for the determination of holders of shares of Common Stock entitled to receive the Distribution multiplied by the reciprocal of the fraction set forth in the immediately preceding clause (i); provided, however, that in the event that the Distribution is of shares of common stock of a company (other than the Company) whose common stock is traded on a national securities exchange or a national automated quotation system (“Other Shares of Common Stock”), then the Holder may elect to receive a warrant to purchase Other Shares of Common Stock in lieu of an increase in the number of Warrant Shares, the terms of which shall be identical to those of this Warrant, except that such warrant shall be exercisable into the number of shares of Other Shares of Common Stock that would have been payable to the Holder pursuant to the Distribution had the Holder exercised this Warrant immediately prior to such record date and with an aggregate exercise price equal to the product of the amount by which the exercise price of this Warrant was decreased with respect to the Distribution pursuant to the terms of the immediately preceding clause (i) and the number of Warrant Shares calculated in accordance with the first part of this clause (ii).

(c) *Other Events*. If any event occurs of the type contemplated by the provisions of this Section 2 but not expressly provided for by such provisions (including without limitation the granting, on a pro rata basis to the holders of the Common Stock, of stock-appreciation rights, phantom stock units or other rights with equity features), then the Company’s Board of Directors will make an appropriate adjustment in the Exercise Price and the number of Warrant Shares so as to protect the rights of the Holder. For the avoidance of doubt, the parties agree this Section 2(c) shall not apply to (i) the issuance of Common Stock upon the exercise of options or warrants disclosed as outstanding in the SEC Reports, or (ii) the issuance of Common Stock, stock options, stock-appreciation rights, restricted stock units, or other forms of equity compensation under the Company’s equity incentive plans or employee stock purchase plan described in the SEC Reports.

3. FUNDAMENTAL TRANSACTIONS. If, at any time while this Warrant is outstanding, (i) the Company effects any merger of the Company with or into another entity and the Company is not the surviving entity, (ii) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (iii) any tender offer or exchange offer (whether by the Company or by another individual or entity, and approved by the Company) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares of Common Stock for other securities, cash or property or (iv) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (other than as a result of a subdivision or combination of shares of Common Stock covered by Section 2(a) above) (in any such case, a “Fundamental Transaction”), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive the number of shares of Common Stock of the successor or acquiring corporation or of the Company and any additional consideration (the “Alternate Consideration”) receivable upon or as a result of such reorganization, reclassification, merger, consolidation or disposition of assets by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such event (disregarding any limitation on exercise contained herein solely for the purpose of such determination). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new warrant consistent with the foregoing provisions and evidencing the Holder’s right to exercise such warrant into Alternate Consideration. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction, the Company or any successor entity shall at the Holder’s option, exercisable at any time concurrently with or within 30 days after the consummation of the Fundamental Transaction, purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the value of this Warrant as determined in accordance with the Black-Scholes Option Pricing Model obtained from the “OV” function on Bloomberg using (i) a price per share of Common Stock equal to the Weighted Average Price of the Common Stock for the Trading Day immediately preceding the date of consummation of the applicable Fundamental Transaction, (ii) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the remaining term of this Warrant as of the date of consummation of the applicable Fundamental Transaction and (iii) an expected volatility equal to the lesser of (A) the 30-day volatility obtained from the “HVT” function on Bloomberg determined as of the end of the Trading Day immediately following the public announcement of the applicable Fundamental Transaction or (B) 70%.

4. NON-CIRCUMVENTION. The Company covenants and agrees that the Company will not, by amendment of its articles of incorporation, bylaws or through any reorganization, transfer of assets, consolidation, merger, scheme of arrangement, dissolution, issue or sale of securities, or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of this Warrant, and will at all times in good faith carry out all the provisions of this Warrant and take all action as may be required to protect the rights of the Holder. Without limiting the generality of the foregoing, the Company (i) shall not increase the par value of any shares of Common Stock receivable upon the exercise of this Warrant above the Exercise Price then in effect, (ii) shall take all such actions as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and non-assessable shares of Common Stock upon the exercise of this Warrant, and (iii) shall, so long as this Warrant is outstanding, have authorized and reserved, free from preemptive rights, a sufficient number of shares of Common Stock to provide for the exercise of the rights represented by this Warrant (without regard to any limitations on exercise).

5. WARRANT HOLDER NOT DEEMED A SHAREHOLDER. Except as otherwise specifically provided herein, this Warrant, in and of itself, shall not entitle the Holder to any voting rights or other rights as a shareholder of the Company. In addition, nothing contained in this Warrant shall be construed as imposing any liabilities on the Holder to purchase any securities (upon exercise of this Warrant or otherwise) or as a shareholder of the Company, whether such liabilities are asserted by the Company or by creditors of the Company.

6. REISSUANCE OF WARRANTS.

(a) *Lost, Stolen or Mutilated Warrant*. If this Warrant is lost, stolen, mutilated or destroyed, the Company will, on such terms as to indemnity or otherwise as it may reasonably impose (which shall, in the case of a mutilated Warrant, include the surrender thereof), issue a new Warrant of like denomination and tenor as this Warrant so lost, stolen, mutilated or destroyed.

(b) *Issuance of New Warrants* . Whenever the Company is required to issue a new Warrant pursuant to the terms of this Warrant, such new Warrant shall be of like tenor with this Warrant, and shall have an issuance date, as indicated on the face of such new Warrant which is the same as the Issuance Date.

7. TRANSFER.

(a) *Notice of Transfer* . The Holder, by acceptance hereof, agrees to give written notice to the Company before transferring this Warrant or transferring any Warrant Shares of such Holder's intention to do so, describing briefly the manner of any proposed transfer. Promptly upon receiving such written notice, the Company shall present copies thereof to the Company's counsel. If the proposed transfer may be effected without registration or qualification (under any federal or state securities laws), the Company, as promptly as practicable, shall notify the Holder thereof, whereupon the Holder shall be entitled to transfer this Warrant or to dispose of Warrant Shares received upon the previous exercise of this Warrant, all in accordance with the terms of the notice delivered by the Holder to the Company; provided, however, that an appropriate legend may be endorsed on this Warrant or the certificates for such Warrant Shares respecting restrictions upon transfer thereof necessary or advisable in the opinion of counsel and satisfactory to the Company to prevent further transfers which would be in violation of Section 5 of the Securities Act of 1933 and applicable state securities laws; and provided further that the prospective transferee or purchaser shall execute the Assignment of Warrant attached hereto as Exhibit B and such other documents and make such representations, warranties, and agreements as may be required solely to comply with the exemptions relied upon by the Company for the transfer or disposition of the Warrant or Warrant Shares.

(b) If the proposed transfer or disposition of this Warrant or such Warrant Shares described in the written notice given pursuant to this Section 7 may not be effected without registration or qualification of this Warrant or such Warrant Shares, the Holder will limit its activities in respect to such transfer or disposition as are permitted by law.

8. REGISTRATION RIGHTS. Holder shall have the following rights, with respect to the filing by the Company of registration statements (other than the Company's Registration Statement presently pending with the SEC, File No. 333-201806) (each a "Registration Statement") with the SEC, for the resale of the Warrant Shares, and any equity issued with respect to the Warrant Shares due to a dividend or stock split in connection with a combination or conversion of equity securities, recapitalization, merger, consolidation or other reorganization (collectively, the "Registrable Shares"); provided, however, that as to any particular securities constituting Registrable Shares, such securities will cease to be Registrable Shares when they have been: (i) effectively registered under the Securities Act of 1933 (the "Securities Act") and disposed of in accordance with the Registration Statement covering them, or sold to the public through a broker, dealer or market maker pursuant to Rule 144 (or by similar provision then in force) under the Securities Act; (ii) when registration under the Securities Act would no longer be required for the immediate sale of such securities held by Holder pursuant to the provisions of Rule 144 (or any successor provision); or (iii) two years have passed from the date hereof:

(a) *Piggyback Rights* . If, at any time when there is not an effective Registration Statement providing for the resale of all of the Registrable Shares, then, whenever the Company proposes to prepare and file with the SEC any form of a Registration Statement relating to an offering under the Securities Act of any of its equity securities (other than for a Form S-8, as promulgated under the Securities Act, or its then equivalent), and the registration form to be used may be used for the registration of Registrable Shares, the Company shall send to Holder written notice of such determination. If, within 30 days after receipt of such notice (or within such shorter period of time as may be specified by the Company in such written notice as may be necessary for the Company to comply with its obligations with respect to the timing of the filing of such Registration Statement), Holder shall so request in writing (which request shall specify the Registrable Shares intended to be registered), the Company will use commercially reasonable efforts to cause the registration under the Securities Act of all Registrable Shares which the Company has been so requested to register by Holder.

(b) *Cut-Back Provisions* . If, for any reason, the SEC requires that the number of Registrable Shares to be registered for resale pursuant to the Registration Statement in connection with any Registration Statement, be reduced, or if a greater number of Registrable Shares is offered for participation in the proposed offering than in the reasonable opinion of the managing underwriter(s) of the proposed offering can be accommodated without adversely affecting the proposed offering, such reduction (the “Cut Back”) shall be allocated pro rata among other persons whose shares have been included in such Registration Statement until the reduction required by the SEC or its rules shall have been effected. At the discretion of the Company, the Cut Back may be effected first among one particular type of Registrable Securities.

(c) *Expenses*. All expenses incurred by the Company in complying with this Section 8, including without limitation all registration and filing fees, printing expenses (if required), fees and disbursements of counsel and independent public accountants for the Company, fees and expenses (including reasonable counsel fees) incurred in connection with complying with state securities or “blue sky” laws, fees of the FINRA, transfer taxes, and fees of transfer agents and registrars, are called “Registration Expenses.” The Company will pay all Registration Expenses in connection with any registration statement described in this Section 8.

9. NOTICES. Whenever notice is required to be given under this Warrant, unless otherwise provided herein, such notice shall be given in accordance with the notice provisions contained in the Note. The Company shall provide the Holder with prompt written notice (i) immediately upon any adjustment of the Exercise Price, setting forth in reasonable detail, and certifying, the calculation of such adjustment and (ii) at least 20 days prior to the date on which the Company closes its books or takes a record (A) with respect to any dividend or distribution upon the shares of Common Stock, (B) with respect to any grants, issuances or sales of any stock or other securities directly or indirectly convertible into or exercisable or exchangeable for shares of Common Stock or other property, pro rata to the holders of shares of Common Stock or (C) for determining rights to vote with respect to any Fundamental Transaction, dissolution or liquidation, provided in each case that such information shall be made known to the public prior to or in conjunction with such notice being provided to the Holder.

10. AMENDMENT AND WAIVER. The terms of this Warrant may be amended or waived (either generally or in a particular instance and either retroactively or prospectively) only with the written consent of the Company and the Holder.

11. GOVERNING LAW. This Warrant and all rights, obligations and liabilities hereunder shall be governed by, and construed in accordance with, the internal laws of the State of Minnesota, without giving effect to the conflicts-of-law principles thereof.

12. DISPUTE RESOLUTION. In the case of a dispute as to the determination of the Exercise Price, the Closing Sale Price, or the arithmetic calculation of the Warrant Shares, the Company or the Holder (as the case may be) shall submit the disputed determinations or arithmetic calculations via facsimile (a) within two business days after receipt of the applicable notice giving rise to such dispute to the Company or the Holder, as the case may be, or (b) if no notice gave rise to such dispute, at any time after the Holder learned of the circumstances giving rise to such dispute. If the Holder and the Company are unable to agree upon such determination or calculation of the Exercise Price, Closing Sale Price or the Warrant Shares within three business days of such disputed determination or arithmetic calculation being submitted to the Company or the Holder, as the case may be, then the Company shall, within two business days thereafter submit via facsimile (x) the disputed determination of the Exercise Price or Closing Sale Price to an independent, reputable investment bank selected by the Company and approved by the Holder or (y) the disputed arithmetic calculation of the Warrant Shares to the Company's independent, outside accountant. The Company shall cause at its expense the investment bank or the accountant, as the case may be, to perform the determinations or calculations and notify the Company and the Holder of the results no later than ten business days from the time it receives the disputed determinations or calculations. Such investment bank's or accountant's determination or calculation, as the case may be, shall be binding upon all parties absent manifest error.

13. ACCEPTANCE. Receipt of this Warrant by the Holder shall constitute acceptance of and agreement to all of the terms and conditions contained herein.

14. CERTAIN DEFINITIONS. For purposes of this Warrant, the following terms shall have the following meanings:

(a) "Bloomberg" means Bloomberg Financial Markets.

(b) "Closing Sale Price" means, for any security as of any date, (i) the last closing trade price for such security on the Principal Market, as reported by Bloomberg, or, if the Principal Market begins to operate on an extended hours basis and does not designate the closing trade price, then the last trade price of such security prior to 4:00 p.m., New York time, as reported by Bloomberg, or (ii) if the foregoing does not apply, the last trade price of such security in the over-the-counter market for such security as reported by Bloomberg, or (iii) if no last trade price is reported for such security by Bloomberg, the average of the bid and ask prices of any market makers for such security as reported by the OTC Markets. If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. All such determinations to be appropriately adjusted for any stock dividend, stock split, stock combination or other similar transaction during the applicable calculation period.

(c) "Common Stock" means (i) the Company's common stock, par value \$0.01 per share, and (ii) any share capital into which such common stock shall have been changed or any share capital resulting from a reclassification of such common stock.

(d) “Principal Market” means the primary national securities exchange on which the Common Stock is then traded.

(e) “SEC” means the U.S. Securities and Exchange Commission.

(f) “Trading Day” means (i) any day on which the Common Stock is listed or quoted and traded on its Principal Market, (ii) if the Common Stock is not then listed or quoted and traded on any national securities exchange, then a day on which trading occurs on any over-the-counter markets, or (iii) if trading does not occur on the over-the-counter markets, any business day.

(g) “Weighted Average Price” means, for any security as of any date, (i) the dollar-volume weighted-average price for such security on the Principal Market during the period beginning at 9:30 a.m., New York City time, and ending at 4:00 p.m., New York City time, as reported by Bloomberg or (ii) if the foregoing does not apply, the dollar-volume weighted-average price of such security in the over-the-counter market for such security during the period beginning at 9:30 a.m., New York City time, and ending at 4:00 p.m., New York City time, as reported by Bloomberg, or (iii) if no dollar-volume weighted-average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in OTC Markets. If the Weighted Average Price cannot be calculated for such security on such date on any of the foregoing bases, the Weighted Average Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 12 with the term “Weighted Average Price” being substituted for the term “Exercise Price.” All such determinations shall be appropriately adjusted for any share dividend, share split or other similar transaction during such period.

IN WITNESS WHEREOF, the Company has caused this Warrant to Purchase Common Stock to be duly executed as of the date indicated above.

CREATIVE REALITIES, INC.

/s/ John Walpuck

JOHN WALPUCK

*Chief Financial Officer and
interim Chief Executive Officer*

EXHIBIT A

EXERCISE NOTICE

(To be executed by the registered holder to exercise this Warrant to Purchase Common Stock)

THE UNDERSIGNED holder hereby exercises the right to purchase _____ of the shares of Common Stock (“Warrant Shares”) of Creative Realities, Inc., a Minnesota corporation (the “Company”), evidenced by the attached copy of the Warrant to Purchase Common Stock (the “Warrant”). Capitalized terms used herein and not otherwise defined shall have the respective meanings set forth in the Warrant.

1. Payment of Exercise Price. In the event that the holder has elected a cash exercise with respect to some or all of the Warrant Shares to be issued pursuant hereto, the holder shall pay the Aggregate Exercise Price in the sum of \$_____ to the Company in accordance with the terms of the Warrant.

2. Delivery of Warrant Shares. The Company shall deliver to the holder _____ Warrant Shares in accordance with the terms of the Warrant.

Dated: _____

(Print Name of Registered Holder)

By: _____
Name: _____
Title: _____

EXHIBIT B

ASSIGNMENT OF WARRANT

(To be signed only upon authorized transfer of the Warrant)

FOR VALUE RECEIVED, the undersigned hereby sells, assigns, and transfers unto _____ the right to purchase _____ shares of common stock of Creative Realities, Inc., to which the within Warrant to Purchase Common Stock relates and appoints _____, as attorney-in-fact, to transfer said right on the books of Creative Realities, Inc. with full power of substitution and re-substitution in the premises. By accepting such transfer, the transferee has agreed to be bound in all respects by the terms and conditions of the within Warrant.

Dated: _____

(Signature) *

(Name)

(Address)

(Social Security or Tax Ident. No.)

* The signature on this Assignment of Warrant must correspond to the name as written upon the face of the Warrant to Purchase Common Stock in every particular without alteration or enlargement or any change whatsoever. When signing on behalf of a corporation, partnership, trust or other entity, please indicate your position(s) and title(s) with such entity.
