CREATIVE REALITIES, INC.

FORM 8-K
(Current report filing)

Filed 10/21/15 for the Period Ending 10/15/15

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): October 15, 2015

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

Minnesota	**001-33169**	**41-1967918**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

22 Audrey Place, Fairfield, NJ 07004
(Address of principal executive offices)

(973) 244-9911
(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 October 15, 2015, Creative Realities, Inc., together with its subsidiary entities Creative Realities, LLC, ConeXus World Global, LLC, and Broadcast International, Inc., entered into a Factoring Agreement with Allied Affiliated Funding, L.P. Under the Factoring Agreement, Allied Affiliated Funding, or "Allied," will from time to time purchase approved receivables from the company and its subsidiaries up to a maximum amount of $3.0 million. Upon receipt of any advance under the Factoring Agreement, the company and its subsidiaries will have sold and assigned all of their rights in such receivables and all proceeds thereof to Allied. The purchase price for receivables bought and sold under the Factoring Agreement is equal to their face amount less a 1.10% base discount. To the base discount is added an additional .037% discount from the face value of a receivable for each day beyond 30 days that the receivable remains unpaid by the account debtor. The base discount is subject to adjustment in the event of changes in the prime lending rate as published by The Wall Street Journal. Allied will provide advances under the Factoring Agreement net of an applicable reserve amount, as specified in the agreement.

The obligations of the company and its subsidiaries under the Factoring Agreement are secured by the substantially all of the assets of the company and its subsidiaries. Allied has the right under the Factoring Agreement to require the company to repurchase any receivable earlier sold for a purchase price equal to the face value of the receivable.

The Factoring Agreement has an initial term of one year, subject to potential one-year renewals thereafter, unless earlier terminated (or not renewed) in accordance with the agreement. The company may terminate the Factoring Agreement at any time prior to the expiration of the initial term (or a renewal period) upon payment to Allied of an early termination fee equal to $37,500.

The disclosures above describe are qualified by the text of the actual Factoring Agreement, which is attached as an exhibit to this report.

Offer and Sale of Secured Convertible Promissory Note

On October 15, 2015, Creative Realities, Inc. entered into a Securities Purchase Agreement with an accredited investor under which it offered and sold a secured convertible promissory note in the principal amount of $500,000 together with a five-year warrant to purchase up to 892,857 shares of common stock at a per-share price of $0.28, in a private placement exempt from registration under the Securities Act of 1933. The company's principal subsidiaries — Creative Realities, LLC, Wireless Ronin Technologies Canada, Inc., and Conexus World Global, LLC — were also parties to the Securities Purchase Agreement and are co-makers of the secured convertible promissory note. Obligations under the secured convertible promissory note are secured by a grant of collateral security in all of the personal property of the co-makers pursuant to the terms of a security agreement.

The secured convertible promissory note bears interest at the rate of 14% per annum. Of this amount, 12% per annum is payable monthly in cash, and the remaining 2% per annum is payable in the form an additional principal through increases in the principal amount of the note. Upon the consummation of a change in control transaction of the company or a default, interest on the secured convertible promissory note will increase to the rate of 17% per annum. The secured convertible promissory note matures on April 15, 2017, unless the holder of a note elects to extend the maturity date for an additional six-month period, in which case such note will mature on October 15, 2017. At any time prior to the maturity date, the holder of a promissory note may convert the outstanding principal and accrued and unpaid interest into common stock of the company at a conversion rate of $0.28 per share, subject to adjustment. The company may not prepay the secured convertible promissory note prior to the maturity date. The secured convertible promissory note contains other customary terms.

Creative Realities, Inc. offered and sold the above-described note and warrant in reliance on the statutory exemption from registration under Section 4(a)(2) of the Securities Act, including Rule 506 promulgated thereunder, based on the fact that the investor was an accredited investor. The 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. In connection with the private placement of the securities, the company paid commissions to a placement agent aggregating $25,000. The disclosure about the private placement contained in this report do not constitute an offer to sell or a solicitation of an offer to buy any securities of Creative Realities, Inc., and are 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.

In connection with the offer and sale of the above-described secured convertible promissory note, the company entered into extension agreements with the holders of two earlier purchased secured convertible promissory notes, dated as of June 23, 2015, containing terms substantially similar to those in the secured convertible promissory note. The company entered into the extension agreements primarily to extend the maturity date of those notes to April 15, 2017.

Amendment to Merger Agreement

On October 15, 2015, Creative Realities, Inc. entered into an Amendment to Agreement and Plan of Merger and Reorganization with ConeXus World Global, LLC, in order to amend certain terms and conditions of an Agreement and Plan of Merger and Reorganization, dated August 11, 2015. The amendment reduced the number of shares of the company's Series A-1 Preferred Stock to be issued in the merger from 2,250,000 shares to 2,080,000, required the conversion of $823,000 of debt of ConeXus World Global into (i) 2,639,258 shares of company common stock (and correspondingly reduces the number of shares of company common stock issuable in the merger), and (ii) $150,000 in principal amount of convertible debt of the Creative Realities, Inc. The terms and conditions of this convertible debt is substantially identical to the terms and conditions of the secured convertible promissory note described under the "Offer and Sale of Secured Convertible Promissory Note" caption above.

The foregoing is qualified by the text of the actual Amendment to Agreement and Plan of Merger and Reorganization. That agreement is attached as an exhibit to this report. In addition, the disclosures in Item 5.02 regarding the employment agreement entered into with Richard Mills is incorporated herein by this reference.

Item 2.01 Completion of Acquisition or Disposition of Assets.

Merger with Conexus World Global

On October 15, 2015, Creative Realities, Inc. completed the acquisition of ConeXus World Global, LLC, in a merger transaction governed by an Agreement and Plan of Merger and Reorganization, dated August 11, 2015, as amended in the manner described above under Item 1.01 – "Amendment to Merger Agreement." As a result of the merger transaction, ConeXus World Global, LLC is now a wholly owned operating subsidiary of Creative Realities, Inc. The merger was completed by the filing of articles of merger with the Kentucky Secretary of State.

At the effective time of the merger, and pursuant to the amended Agreement and Plan of Merger and Reorganization, the debtholders and members of ConeXus received a total of 1,664,000 shares of Series A-1 Preferred Stock and 16,000,000 shares of common stock of the Company, with an additional 416,000 shares of Series A-1 Preferred Stock and 4,000,000 shares of common stock being held back pending the completion of a reorganization of the capital structure of a Belgian affiliate of ConeXus. If such reorganization does not occur prior to March 31, 2016, then the shares held back will not be issued to the former security holders of ConeXus.

At the effective time of the merger, the Board of Directors of Creative Realities, Inc. appointed Richard Mills to the company's board and appointed Richard Mills as the company's Chief Executive Officer. In connection with this appointment, the company entered into an employment agreement with Mr. Mills. See Item 5.02 for further information.

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 the sale of secured convertible promissory notes are hereby incorporated into this Item. Obligations under the notes 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 regarding the offer and sale of secured convertible promissory notes and related warrants are hereby incorporated into this Item.

Item 4.01 Changes in Registrant's Certifying Accountant.

(a) Termination of Baker Tilly Virchow Krause, LLP

Effective as of October 15, 2015, the Board of Directors of Creative Realities, Inc. (formerly Creative Realities, LLC) has dismissed Baker Tilly Virchow Krause, LLP as the company's independent registered public accounting firm.

The reports of Baker Tilly Virchow Krause, LLP on the company's consolidated balance sheets as of December 31, 2014 and December 31, 2013, and the related consolidated statements of operations, changes in equity and cash flows for the years then ended, did not contain an adverse opinion or a disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles, except that the Baker Tilly Virchow Krause, LLP's report for the year ended December 31, 2013 included an explanatory paragraph referring to the company's going concern uncertainty.

During the fiscal years ended December 31, 2014 and December 31, 2013, and through October 15, 2015, there were no disagreements with Baker Tilly Virchow Krause, LLP on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which disagreement(s), if not resolved to the satisfaction of Baker Tilly Virchow Krause, LLP, would have caused it to make reference to the subject matter of the disagreement in connection with their reports on the company's financial statements for such periods.

Further, there were no reportable events, as defined in Item 304(a)(1)(v) of Regulation S-K, during the fiscal years ended December 31, 2014 and December 31, 2013, and through October 15, 2015, except in its assessment of the effectiveness of internal control over financial reporting as of December 31, 2014, the company's management identified certain material weaknesses in internal controls relating to deficient processes to close the consolidated monthly financial statements, recognize revenue from sales orders, track and value inventory, and failure to have an independent financial expert on its Board of Directors. Consequently, the company's management concluded that its internal control over financial reporting was not effective as of December 31, 2014.

Creative Realities, Inc. has provided Baker Tilly Virchow Krause, LLP with a copy of the foregoing disclosure and requested that Baker Tilly Virchow Krause, LLP provide the company with a letter addressed to the U.S. Securities and Exchange Commission stating whether it agrees with the statements made by the company in response to this item.

(b) Engagement of Eisner Amper LLP

Effective as of October 15, 2015, the Board of Directors of Creative Realities, Inc. has engaged Eisner Amper LLP as its independent registered public accounting firm to audit the company's financial statements for the fiscal year ending December 31, 2015.

Prior to the engagement of Eisner Amper LLP, neither Creative Realities, Inc. nor anyone on behalf of the company consulted with Eisner Amper LLP during the fiscal years ended December 31, 2014 and December 31, 2013, and through October 15, 2015, in any manner regarding either: (a) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the company's financial statements, or (b) a disagreement or a reportable event, as defined in Item 304(a)(1)(iv) and (v), respectively, of Regulation S-K.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On October 15, 2015, Richard Mills was appointed to the Board of Directors of Creative Realities, Inc. Mr. Mills also became the Chief Executive Officer of the company. As a result of this appointment, Mr. John Walpuck is no longer the Chief Executive Officer of the company, but retained his titles of Chief Financial Officer and Chief Operating Officer.

Mr. Richard Mills possesses over 31 years of industry experience. He was previously Chief Executive Officer of ConeXus World Global, a leading digital media services company, which he founded in 2010, and which was acquired by Creative Realities as reported herein. Prior to founding ConeXus, Mr. Mills was President and Director at Beacon Enterprise Solutions Group, Inc., a public telecom and technology infrastructure services provider. Previous to that, he joined publicly traded Pomeroy Computer Resources, Inc. in 1993 and served as Chief Operating Officer and a member of the Board of Directors from 1995 until 1999. Mr. Mills helped grow sales at Pomeroy during his time there from $100 million to $700 million. Mr. Mills was also a founder of Strategic Communications LLC.

In connection with the appointment of Richard Mills as the company's Chief Executive Officer, the company entered into an employment agreement with Mr. Mills. Under the employment agreement, Mr. Mills will serve as the company's Chief Executive Officer for a two-year term, which automatically renews for additional one-year periods unless either the company or Mr. Mills elects not to extend the term. The agreement provides for provides for an initial annual base salary of $270,000, subject to annual increases but generally not subject to decreases, and includes provisions for the right to receive up to 4,951,557 performance shares of common stock in connection with a series of performance-based requirements. Under the agreement, Mr. Mills is eligible to participate in performance-based cash bonus or equity award plans for the company's senior executives. Mr. Mills will participate in the company's employee benefit plans, policies, programs, perquisites and arrangements to the extent he meets applicable eligibility requirements.

In the event of a termination of employment for "good reason," as defined, without "cause," as defined, or within 12 months following a "change in control," as defined, other than for reason of death, disability or for cause, Mr. Mills will be entitled to receive a severance payment equal to six months of his then-current base salary or, if Mr. Mills shall have been employed by the company for at least one year, 12 months of his then-current base salary. The agreement provides that any severance payments would be paid in installments over the course of a one-year period.

The agreement contains certain non-solicitation and non-competition provisions that continue after employment for a period of one year, as well as other customary restrictive and other covenants relating to the confidentiality of information, the ownership of inventions and other matters.

Item 8.01 Other Events.

On October 20, 2015, Creative Realities, Inc. issued a press release describing the foregoing financing and merger transactions. A copy of the press release is filed as Exhibit 99.1 to this report.

Item 9.01 Financial Statements and Exhibits.

(d) *Exhibits* .

Exhibit No.	Description
2.1	Amendment to Merger Agreement, dated as of October 15, 2015 (*filed herewith*).
10.1	Factoring Agreement dated as of October 15, 2015 *(filed herewith)* .
16	Letter from Baker Tilly Virchow Krause, LLP to U.S. Securities and Exchange Commission (*filed herewith*).
99.1	Press Release dated October 20, 2015 *(filed herewith).*

SIGNATURE

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.

Date: October 21, 2015

By: /s/ John Walpuck

JOHN WALPUCK
Chief Financial Officer

EXHIBIT INDEX

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99.1	Press Release dated October 20, 2015 .

Exhibit 2.1

AMENDMENT TO
AGREEMENT AND PLAN OF MERGER AND REORGANIZATION

THIS AMENDMENT TO AGREEMENT AND PLAN OF MERGER AND REORGANIZATION (this " **Amendment** ") is entered into as of October 15, 2015 by and among Creative Realities, Inc., a Minnesota corporation (" **Parent** "), CXW Acquisition, Inc., a Kentucky corporation and a wholly owned subsidiary of Parent (" **Merger Sub** "), ConeXus World Global, LLC, a Kentucky limited liability company (the " **Company** "), and Richard C. Mills, in his capacity as the Member Representative.

WHEREAS, on August 11, 2015, Parent, Merger Sub, the Company and Richard C. Mills entered into that certain Agreement and Plan of Merger and Reorganization (the " **Merger Agreement** "); and

WHEREAS, the parties desire to amend the Merger Agreement pursuant to Section 10.2 of the Merger Agreement, upon the terms set forth herein;

NOW, THEREFORE, in consideration of the mutual agreements specified in this Amendment, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereby agree as follows:

1. Definitions . Capitalized terms used in this Amendment and not otherwise defined shall have the respective meanings ascribed to such terms in the Merger Agreement.

2. Aggregate Merger Consideration . The definition of Parent Preferred Stock Consideration set forth in Section 2.1 of the Merger Agreement is amended to replace "2,250,000" with "2,080,000," and the definition of "Parent Common Stock Consideration" is amended to replace "20,000,000" with "20,000,000 less the amount of Parent Common Stock issued to RFK Communications, LLC, a Kentucky limited liability company (" **RFK** "), pursuant to a Debt Conversion Agreement executed at or prior to Closing among RFK, the Company and Parent (the " **Debt Conversion Agreement** ")."

3. Holdback Shares . The definition of Holdback Shares in Section 2.3 of the Merger Agreement is amended to replace "20% of the Aggregate Merger Consideration (consisting of ratable portions of the Parent Common Stock Consideration and Parent Preferred Stock Consideration)" with "an aggregate of 4,000,000 shares of the Parent Common Stock Consideration and 416,000 shares of the Parent Preferred Stock Consideration."

4. Issuance of Aggregate Merger Consideration . The parties acknowledge and agree that, notwithstanding anything to the contrary set forth in the Merger Agreement, the allocation of the Aggregate Merger Consideration issuable as a result of the Merger is set forth on ***Exhibit A*** hereto.

5. Financing . Section 6.12 of the Merger Agreement is deleted in its entirety and replaced with the following: "Parent shall have entered into a credit facility in form satisfactory to Parent with Allied Affiliated Funding, L.P. (the " ***Financing*** ")."

6. Debt Conversion . The following Section 6.25 is added to Article 6 of the Merger Agreement:

"6.25 Debt Conversion . The Company, Parent and RFK shall have entered into the Debt Conversion Agreement in a form satisfactory to Parent."

7. Indemnification By Company Members . The first paragraph of Section 8.1 is deleted in its entirety and replaced with the following:

"8.1 Indemnification By Company Members . The Company Members shall jointly and severally indemnify, defend (at Parent Indemnified Party's option) and hold harmless Parent, Merger Sub and their respective affiliates and their respective owners, members, shareholders, governors, directors, officers, employees, agents, consultants, representatives, affiliates, successors, transferees and assigns (individually a " ***Parent Indemnified Party*** ," and collectively, the " ***Parent's Indemnified Parties*** "), promptly upon demand, at any time and from time to time, from, against, and in respect of any and all demands, claims, losses, damages, judgments, liabilities, assessments, suits, actions, proceedings, interest, penalties, and expenses (including, without limitation, settlement costs and any legal, accounting and other fees for investigating or defending any actions or threatened actions or for enforcing such rights of indemnity and defense) incurred or suffered (" ***Losses*** "), but only to the extent such Losses exceed $100,000.00 (the " ***Threshold Amount*** ") (provided that the Parent's Indemnified Parties shall be indemnified for all Losses arising out of or in connection with any breaches of Section 3.15 or the Company's failure to pay Taxes, regardless of the Threshold Amount), by Parent's Indemnified Parties, whether directly or as a result of a claim by a third party in connection with, arising out of or as a result of each and all of the following:"

For the sake of clarity, subsections (a) through (e) of Section 8.1 shall remain unaltered

8. Representations and Warranties . Each of the parties represents and warrants that (a) it or he has the corporate right, power and authority to enter into and to perform its obligations under this Amendment, and (b) assuming the due authorization, execution and delivery of this Amendment by the other parties, this Amendment constitutes the legal, valid and binding obligation of such party, enforceable in accordance with its terms, subject to: (i) laws of general application relating to bankruptcy, insolvency, the relief of debtors and creditors' rights generally; and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies.

9. No Other Modification . Except as expressly set forth herein, the Merger Agreement shall remain in full force and effect and shall not be modified by this Amendment.

10. Governing Law . This Amendment shall be governed by, and construed in accordance with, the Legal Requirements of the State of New York, regardless of the Legal Requirements that might otherwise govern under applicable principles of conflicts of Legal Requirements thereof.

11. Counterparts; Exchanges by Facsimile or Electronic Delivery . This Amendment may be executed in separate counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument. The exchange of a fully executed Amendment (in counterparts or otherwise) by facsimile or by other electronic delivery shall be sufficient to bind the parties to the terms and conditions of this Amendment.

Signature Page follows

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed as of the date first written above.

CONEXUS WORLD GLOBAL, LLC

By: /s/ Richard Mills
Name: Richard Mills
Title: CEO

CREATIVE REALITIES, INC.

By: /s/ John Walpuck
Name: John Walpuck
Title: CEO

CXW ACQUISITION, INC.

By: /s/ John Walpuck
Name: John Walpuck
Title: CEO

MEMBER REPRESENTATIVE

By: /s/ Richard Mills

Factoring Agreement

This Factoring Agreement (this "Agreement") is between Creative Realities, Inc. f/k/a Wireless Ronin Technologies, Inc., a corporation organized and existing under the laws of Minnesota, Creative Realities, LLC, a limited liability company organized and existing under the laws of Delaware, both with offices at 22 Audrey Place, Fairfield, NJ 07004, ConeXus World Global, LLC, a limited liability company organized and existing under the laws of Kentucky, with offices at 13100 Magisterial Dr. #100, Louisville, Kentucky 40223, and Broadcast International, Inc., a corporation organized and existing under the laws of Utah with offices at 7050 Union Park Avenue, 6 th Floor, Salt Lake City, UT 84047 (hereinafter each individually *and collectively, and jointly and severally,* called "Seller") and Allied Affiliated Funding, L.P., a Texas limited partnership, with offices at 5151 Belt Line Rd., Suite 500, Dallas, Texas 75254 (hereinafter called "Allied"), effective as of the date (the "Effective Date") upon which the last party to execute this Agreement affixes its signature hereto.

Seller desires to sell its Accounts to Allied and Allied desires to purchase Accounts from Seller after the Effective Date on the following terms, conditions and provisions; therefore, for value received by the parties hereto and in consideration of the mutual agreements set forth below and continued factoring of Accounts, the parties agree as follows:

1. Definitions . As used in this Agreement and all other documents or instruments executed and delivered in connection with this Agreement:

1.1. Unless otherwise defined herein, the capitalized words used herein (singular, plural or in any tense), including "Account" and "Account Debtor", shall have the same definitions as those set forth in the Uniform Commercial Code as adopted by the State of Texas, effective July 1, 2001, as amended. For the avoidance of doubt, an Account is not an Account Debtor but rather the right to payment from an Account Debtor.

1.2. "Without Recourse" shall mean the Seller of Accounts is not obligated to pay or repurchase an Account sold to Allied unless Seller breaches its warranties or representations concerning such Account. "With Recourse" or "Recourse" means Seller shall pay or repurchase Accounts acquired by Allied that are not paid according to the terms of the invoice.

1.3. "Face Amount" shall mean the total amount of each Account, including taxes, delivery charges, etc **.**

1.4. An Account shall be deemed to be "Disputed" if (i) the Account Debtor disputes an Account in writing or Seller or Allied have actual knowledge of such Dispute, including the amount owing, timely delivery of the goods, conformity of the goods or services to the order, or any other aspect of the sale giving rise to the Account for any reason whatsoever, even if the dispute has no merit, is in bad faith or is unreasonable, (ii) the Account contains mistakes, is not correct or was sent in error, or (iii) all of the following three conditions exist: (a) the Account is not paid within 90 days of its invoice date, (b) the Account Debtor will not communicate the reason for non-payment to Allied, and (c) the Seller fails to produce, within such time period, good and sufficient evidence that nonpayment is due to the Account Debtor's financial inability to pay, the pendency of a bankruptcy proceeding by or against the Account Debtor or some reason other than a dispute of the type referred to above.

1.5. "New Commitment" shall mean any written commitment Seller may receive during the Term of this Agreement from a third party to provide factoring to Seller, which commitment Seller intends to accept.

1.6. "Discount" shall mean the sum of the following, subject to adjustment as set forth below: (i) 1.10% of the Face Amount of each Account sold to Allied under this Agreement for the Initial Payment Period (as defined below) and (ii) an additional amount of 0.037% for each one day period (or portion thereof) that the Account remains unpaid after the Initial Payment Period until the date it is paid in full or repurchased by Seller in accordance with this Agreement. On the first day of each calendar quarter during the term of this Agreement, with respect to Accounts presented for purchase on or after such date (but not with respect to Accounts previously purchased but not yet paid or repurchased), the Discount shall be automatically increased or decreased, as the case may be, to reflect the change in the "Prime Rate" of interest (as quoted and published in the Wall Street Journal) as of such date from the Prime Rate as of the date of the most recent adjustment under this paragraph 1.6 (or, with respect to the initial adjustment, as of the Effective Date); provided , that (a) such adjustment shall not apply to the portion of any increase or decrease to the Prime Rate below a floor of 4% and (b) the Discount shall never be less than the amount set forth in the first sentence of this provision. For avoidance of doubt and by way of example, if as of the first day of the next succeeding calendar quarter the Prime Rate has increased by 0.25% since the Effective Date, then the initial Discount for all Accounts presented thereafter shall be increased to 1.1208% (=1.10% + (0.25% x 30/360)), and the additional Discount for each one day period (or portion thereof) for such Accounts shall be increased to 0.03% (=0.0377% + (0.25% x 1/360)). Such adjustments in the Discount shall continue on a quarter-by-quarter basis with respect to Accounts presented for payment on or after the first day of each calendar quarter (but not with respect to Accounts previously purchased but not yet paid or repurchased).

1.7. "Initial Payment Period" shall mean the period of 30 days from the date Allied has purchased an Account under this Agreement.

1.8. "Purchase Price" shall mean the Face Amount of the Account, less the Discount.

1.9. "Seller's Business" is providing digital marketing technology solutions to retailers, brand marketers, venue-operators, enterprises, non-profits and other organizations throughout the U.S.

1.10. "Facility Amount" means $3 ,000,000.00 .

1.11. "Secured Convertible Promissory notes" shall mean the secured convertible promissory notes or debt issued by Seller prior to and on or about the Effective Date.

1.12. "Advance Billings" mean Accounts that represent a present contractual right to receive payment for the licensing or hosting by Seller of software or other intellectual property during a future period.

Other words used herein, which are capitalized, shall have the definitions prescribed herein. Variations of words defined herein shall have the same meaning as the defined terms.

2. Offer to Sell . Seller may, at its option, offer to sell, assign and transfer to Allied its existing and hereafter arising, acquired or created Accounts. Any such offer shall be made on an assignment form prescribed by Allied (the "Schedule") sent to Allied at its above stated office and accompanied by a copy of, as applicable or available, (i) each invoice, (ii) the bill of lading, shipping documents or other proof of delivery, (iii) the contract or purchase order (or purchase order number which corresponds with the invoice), and (iv) such other documentation as may be requested by Allied for each Account listed on the Schedule.

3. Acceptance of Offer . Allied may accept Seller's offer to sell Accounts at its above stated office by either (i) paying the Purchase Price (less the Reserve, defined below) with respect to all Accounts appearing on the Schedule submitted to Allied, or (ii) by electronic (including by means of the Online Reporting Service of Allied) or written notice to Seller identifying the Accounts which appear on the Schedule that Allied is unwilling to purchase and paying the Purchase Price (less the Reserve) for the remaining Accounts. Allied shall not be obligated to purchase each Account that Seller offers to sell to Allied and reserves the right to accept or reject Accounts in Allied's sole discretion.

4. Reserve . Allied may, at its sole option and discretion, defer making payment to Seller of a portion of the Purchase Price payable for all Accounts purchased under this Agreement up to an aggregate amount equal to 33.9% of the Face Amount of Accounts that constitute Advance Billings and 13.9% of the Face Amount of all other Accounts (collectively, the "Reserve"). Payments received by Allied in respect of Accounts not purchased by Allied shall be credited to the Reserve. The Reserve shall not bear interest. The Reserve for an Account is payable by Allied to Seller, on request of Seller, after the date the Account is paid to Allied. An Account is deemed paid to Allied only when paid in collected funds. Allied is entitled to increase the Reserve without Seller's consent, if, (i) Seller breaches in any material respect any representation, warranty, term, condition or provision of this Agreement, (ii) in Allied's reasonable judgment it is necessary to increase the Reserve to protect Allied from (a) losses due to a Dispute (even if not valid or made in good faith) of any Account, returns or other contingencies, or (b) Seller's unsatisfied obligations and liabilities. If any Account owned by Allied is not paid within 90 days of the date of the invoice related thereto, Allied may presume that the Account is Disputed and may increase the Reserve by an amount equal to that portion of the Purchase Price previously paid by Allied plus the Discount. In the event Allied notifies Seller in writing or by electronic means (including means of the Online Reporting Service of Allied) that it has increased the Reserve, Seller shall immediately refund to Allied a portion of the Purchase Price previously paid by Allied for the purchase of Seller's Accounts which is equal to the increased amount of the Reserve. After the Term of this Agreement (defined below) has expired and Seller has paid its liabilities to Allied and fulfilled its obligations arising hereunder, Allied shall pay the balance of the Purchase Price payable for all Accounts purchased hereunder which constitutes unpaid Reserve (if any) to Seller. The purpose of the Reserve is to provide Allied with additional Collateral to secure payment of Seller's liabilities and performance of Seller's obligations arising under this Agreement. Allied shall be entitled to offset or recoup from the Reserve the amount of any liabilities owing by Seller to Allied, whether presently existing or hereafter arising, and whether or not arising under this Agreement, including, but not limited to, Seller's obligation to repurchase Accounts or to pay Accounts pursuant to the provisions of this Agreement. Seller acknowledges that the Reserve is not a cash deposit or segregated fund, but represents, with respect to Accounts purchased by Allied hereunder, the balance of Allied's liability to Seller for payment of the Purchase Price therefor and, with respect to Accounts not purchased by Allied hereunder, Seller's right to receive payments credited by Allied to the Reserve in respect of such Accounts, in each case, subject to Allied's right of offset or recoupment and its security interest in the Reserve. The Reserve is not separate and/or incremental discount.

5. Seller's Repurchase Obligation . In addition to all other rights of Allied hereunder, Allied may require that Seller repurchase, by payment of the Repurchase Price together with any other unpaid fees then owing to Allied, any Account that has been purchased by Allied: (i) for which Seller has breached its warranty or representation concerning such Account as set forth herein; (ii) with Recourse; or (iii) if Seller defaults in the payment or performance of its liabilities and obligations to Allied. If any Account purchased by Allied is one that Seller is or becomes obligated to pay or repurchase under this Agreement and is not paid within the Initial Payment Period, Allied, at Allied's sole discretion, may elect to: (i) retain ownership of the Account until the earlier of either the date the Account is paid by the Account Debtor or 90 days after the invoice date of the Account, or (ii) at any time require Seller to repurchase the Account at the Repurchase Price. The purchase price for any Account which Seller is required to repurchase from Allied under this Agreement is the Face Amount of the Account (the "Repurchase Price"). If Seller ever becomes obligated to repurchase an Account from Allied, it shall not become the owner of such Account until it has paid the Repurchase Price to Allied.

6. Intentionally omitted .

7. Recourse . Except as may be specifically agreed to in writing by the parties to this Agreement, all Accounts sold and purchased hereunder are sold With Recourse on Seller.

8. Account Warranties . Seller warrants, represents, covenants and agrees that the presently existing and hereafter arising, acquired or created Accounts of Seller sold to Allied or in which Allied obtains a security interest: (i) are not and will not be Disputed; (ii) are owing pursuant to Seller's contract, agreement, service order, quite, purchase order, work order, statement of work or other form of agreement with the Account Debtor and such contract or other documentation will not be amended without the written consent of Allied; (iii) will be paid when due (unless the Account was purchased Without Recourse); (iv) are owned solely by Seller, which has the power to transfer the Accounts, and that its title to the Accounts is free of all adverse claims, liens, security interests and restrictions on transfer, encumbrance or pledge, except (a) as created by this Agreement, and (b) liens securing the Secured Convertible Promissory Notes to the extent such liens are subordinate to the liens in favor of Allied pursuant to an intercreditor or other agreement, in form and substance satisfactory to Allied, executed by the holder(s) of such liens; (v) set forth the correct and complete terms of sale, was applicable to the agreement or other documentation described in clause (ii) above, and which have not been and will not be altered or amended; (vi) are valid and owing, and all goods and services giving rise to the Accounts have been provided or delivered in accordance with Seller's agreement with the Account Debtor; (vii) will not be paid by a preference payment or fraudulent transfer (as defined by the Bankruptcy Code or the relevant law of any state); (viii) are not and shall not become subject to a defense or claim in recoupment or setoff that can be asserted against Allied; (ix) are not owing by Account Debtors that were subject to insolvency or bankruptcy proceedings concerning which Seller had any notice as of the date the Account is sold, or in which Seller owns an interest of any kind; (x) shall be reflected on Seller's books and records as having been transferred, sold and conveyed to Allied if Allied purchases such Accounts; and (xi) shall be evidenced by an invoice which has been issued to and received by the Account Debtor, and each such invoice shall have printed on the face thereof a statement, mutually agreed upon by Allied and Seller if no default by Seller exists hereunder and approved by Allied in its sole discretion if Seller defaults hereunder, notifying the Account Debtor that the invoice has been sold and assigned to Allied and is payable only to Allied (or jointly to Allied and Seller) at the address designated in such notice and that, if the Account is paid, the Account will be paid by the Account Debtor in accordance with such instructions. The warranties and representations set forth herein shall apply as of the date each Account is sold hereunder and shall continue with respect to each Account until each such Account is paid. If Seller breaches any warranty, covenant or agreement set forth above, Seller shall repurchase the applicable Account for the Repurchase Price, or pay the Account; such payment or repurchase shall cure Seller's default for breach of warranty with respect to such Account. All warranties and representations of Seller under this Agreement are continuing warranties and representations.

9. Other Warranties and Covenants of Seller . Seller further warrants, represents, covenants and agrees that as of the Effective Date and at all times during the Term of this Agreement: (i) Seller is and shall be able to pay its debts as they become due; (ii) (a) Creative Realities, Inc. and Creative Realities, LLC's principal executive office is located in the State of New Jersey, and ConeXus World Global, LLC's principal executive office is in the State of Kentucky, and Broadcast International, Inc.'s principal executive office is located in the State of Utah (b) Jurisdiction of Organization or state of incorporation or charter is and shall remain the State of Minnesota for Creative Realities, Inc., the State of Delaware for Creative Realities, LLC, the State of Kentucky for ConeXus World Global, LLC, and the State of Utah for Broadcast International, Inc. and (c) exact legal name is and shall remain as set forth in the first paragraph of this Agreement, and Seller does not and will not operate under any trade name or assumed name; (iii) (a) Allied is and shall remain Seller's sole factor, and Seller will not sell its Accounts to any other person, firm or corporation during the Term, and (b) Seller shall not incur any other indebtedness or obligations for borrowed money to any other person, or any indebtedness representing or in respect of any MERCHANT CASH ADVANCE SERVICES, during the Term, other than (1) indebtedness and obligations to Allied, (2) trade payables incurred in the ordinary course of business of Seller, (3) indebtedness the proceeds of which are earmarked to and actually used to purchase equipment (including computers) to the extent any liens securing such purchase money indebtedness do not secure any other indebtedness of Seller and attach solely to the equipment acquired with the proceeds of such indebtedness and (4) other indebtedness or obligations, the repayment of which is expressly subordinate to the repayment of Seller's indebtedness and obligations to Allied pursuant to a subordination agreement acceptable to Allied; (iv) Seller shall not, without the prior written consent of Allied in each instance, (a) grant any extension of time for payment or modify the payment terms of any Accounts owned by Seller or any other Collateral which includes a monetary obligation, (b) compromise or settle any Accounts owned by Seller or any such other Collateral for less than the full amount thereof, (c) release in whole or in part any Account Debtor or other person liable for payment of Accounts owned by Seller or any other such Collateral, or (d) grant any credits, discounts, allowances, deductions, return authorizations or the like with respect to any Accounts owned by Seller or any such other Collateral; (v) before sending any invoice to an Account Debtor with respect to an Account that has been sold to Allied, Seller shall mark the same with a notice of assignment as may be required by Allied and, prior to the occurrence of a default by Seller hereunder, in form and substance reasonably acceptable to Seller; (vi) Seller maintains and shall continue to maintain complete and accurate business records of the type normally maintained by businesses similar to Seller, and all financial records, statements, books and other documents shall be made available for Allied's reasonable inspection and shall be true and accurate in all material respects; (vii) the Accounts and Collateral are and shall at all times remain free and clear of liens, claims and encumbrances other than the security interests granted to Allied hereunder; (viii) the Accounts assigned to Allied by Seller shall become the sole property of Allied and Seller's sale and assignment of accounts shall pass legal and equitable title to Allied free and clear of liens, claims and encumbrances; (ix) Seller insures and shall continue to insure its business and its assets in a manner customary for businesses of the type of Seller's Business, and Seller will insure its inventory and goods in transit for their full value; (x) Seller will not sell, encumber or move the Collateral or a significant portion of its other assets (except the sale of inventory in the ordinary course of its business), without the prior written consent of Allied; (xi) Seller is and shall remain in compliance with all federal, state and local tax laws, rules and regulations and shall furnish Allied with evidence thereof on demand; (xii) Seller will preserve its present legal formation and existence and not, in one transaction or series of related transactions, merge into or consolidate with any other entity, change the form of its legal existence, change or permit a change in ownership, or sell all or substantially all of its assets; (xiii) Seller will not change the state where it is located, will not change the state where it is incorporated or organized and will not change its organizational documents, and will not change its name without providing Allied with at least 30 days prior written notice; (xiv) Seller shall not realize sales or income from any business activity (except an occasional sale of a capital asset) other than the business activity that is Seller's Business; (xv) Seller shall pay all federal employee withholding taxes and the sales taxes due on all sales which result in accounts sold to Allied or in which Allied has a security interest; and (xvi) Seller and Allied represent that each shall treat transactions under the Agreement as a purchase by Allied and a sale by the Seller for federal, state, and local income tax purposes. All warranties and representations of Seller under this Agreement are continuing warranties and representations. Seller also agrees that, if an Account purchased by Allied authorizes the Account Debtor to discount the Face Amount of the Account for prompt payment, the Seller shall pay to Allied an amount equal to the discount taken by the Account Debtor (even if not properly taken) and Allied is authorized to offset such discount against the Reserve.

10. Notice to Allied . Seller shall immediately notify Allied of (i) a Dispute of any Account sold or encumbered under this Agreement, (ii) any other known breach of warranty or default in Seller's covenants and agreements set forth herein, (iii) Seller's discovery of evidence of insolvency of an Account Debtor, (iv) the filing and service of a lawsuit or adversary proceeding related to an Account purchased by Allied or the payment related thereto (including, but not limited to, preference or fraudulent transfer litigation), (v) any claim of a lien in the Collateral of Allied (including federal tax liens), or (vi) Seller's failure to pay any tax it may owe at any time for any reason, when due.

11. Security Interest in Collateral . To secure payment and performance of all of Seller's liabilities and obligations to Allied, including without limitation all amounts owing to Allied hereunder or damages arising due to Seller's breach of the terms, warranties, representations, or conditions of this Agreement or any other agreement by and between Allied and Seller, whether now or hereafter owing to Allied, Seller grants to Allied a Security Interest in all of its presently existing and hereafter arising, acquired or created: Accounts (including proceeds of inventory which are Accounts), Chattel Paper, General Intangibles, Supporting Obligations, Instruments (including promissory notes), Documents, Deposit Accounts, Financial Assets, Securities, and Letter-of-Credit Rights, which are Proceeds of Accounts, which evidence or secure an obligation to pay Accounts, or to which Proceeds of Accounts have been deposited, and all amounts owing to Seller hereunder, including the Purchase Price and Reserve, and all Proceeds thereof (collectively the "Collateral"). Seller agrees as follows with respect to the aforementioned Collateral: (i) Allied shall have the right at any time and in its sole discretion to enforce Seller's rights against the Account Debtors and obligors; (ii) Seller will not pledge, hypothecate or encumber the Collateral during the Term of this Agreement and while it is indebted or otherwise obligated to Allied; (iii) Allied may exercise all rights and remedies of an unpaid seller with respect to Accounts, Supporting Obligations, and Chattel Paper constituting Collateral hereunder, including the right of replevin, reclamation and stoppage in transit; (iv) Seller has the risk of loss of the Collateral; and (v) Allied shall have no duty to collect the Collateral or preserve or enforce any rights relating to the Collateral.

12. Inspection of Records . Any agent of Allied may audit, check, inspect, make abstracts from or copies of the books, records, receipts, correspondence, memoranda, and other papers or data relating to the Collateral, Accounts purchased under this Agreement, the obligations of Seller to Allied and any other transactions between Seller and Allied or Seller and an Account Debtor, or generally audit all of Seller's books and records at Seller's place of business (a) if no default by Seller exists hereunder, during regular business hours upon no less than five (5) business days' prior notice from Allied to Seller and (b) if a default by Seller exists hereunder, at any time and without any advance notice. Allied shall make commercially reasonable efforts not to schedule inspections under this paragraph 12 during the two (2) week period immediately preceding any required filing by Seller with the Securities and Exchange Commission (each, a "blackout period") provided that there shall be no more than 4 such blackout periods during any calendar year and such limitation shall not apply if Seller is in default hereunder. Seller shall at all times maintain a complete set of books and records containing up-to-date posting of all of its cash and accrual transactions of any nature.

13. Property of Allied/Proceeds and Returned Goods Held in Trust . After Allied has purchased an Account from Seller, (i) the Account and all proceeds thereof shall become the sole and absolute property of Allied, (ii) Allied may at any time in its sole discretion, whether prior to or following the occasion of default hereunder, notify all Account Debtors of Accounts purchased by Allied that such Accounts have been sold and assigned to Allied and are payable only to Allied at the address provided by Allied, (iii) Seller shall immediately make proper entries on its books and records disclosing the absolute sale of such Accounts to Allied, (iv) Seller shall not hinder, delay or interfere with payment of Accounts; and Seller shall cooperate with and assist Allied, in a manner mutually acceptable to Allied and Seller, in connection with Allied's handling, collection or other dealings with the Accounts and Account Debtors, including, without limitation, assisting Allied in obtaining written confirmation, statements or agreements from Account Debtors which specify or confirm any information requested by Allied with respect to the Accounts, and (v) Seller shall hold any check, commercial paper, notes, cash or other forms of payment of any Account sold to Allied or (if Seller is in default of its liabilities or obligations to Allied) in which Allied has a security interest which may come into Seller's possession or under its control (even if such payment is payable to Seller) in trust for the benefit of Allied and shall promptly turn over and deliver to Allied all such payments, in kind, and in the exact form received. Seller shall endorse any instrument or other form of payment which is payable to Seller, but which is paid on an Account sold to Allied hereunder. In the event of the return or non-acceptance, in whole or in part, of property, the sale of which resulted in Accounts which were sold and assigned to Allied, the Seller shall hold such property in trust for Allied, give to Allied prompt notice of such return or non-acceptance, immediately turn over such property to the custody and control of Allied, and legibly mark such merchandise as the property of Allied; thereafter, upon demand, Seller shall repurchase such property from and pay to Allied the invoice price thereof, and upon such payment the Seller shall be entitled to the redelivery of such property. If Seller fails to make such purchase and payment immediately upon demand, it shall be in default hereunder and Allied shall be entitled (in addition to its other remedies) to sell such property at public or private sale and to charge Seller's account with the difference between the invoice price of such property and the amount realized upon the sale, plus all charges, fees and commissions upon such sale. Allied may become a bidder and purchaser at any such sale.

14. Breach of Trust Fee . Seller's strict adherence to the provisions of Paragraph 13 is essential in order for Allied to purchase Seller's Accounts at the Discount and on the other terms set forth in this Agreement. Seller agrees that the provisions of such paragraph are of the essence of this Agreement and agrees to implement reasonable policies and procedures to ensure its consistent and prompt performance of its obligations hereunder. In the event Seller breaches its obligations under such paragraph for reasons other than excusable neglect (which shall be determined solely by Allied in its reasonable judgment and discretion), (i) Allied may immediately terminate this Agreement and charge the Termination Fee, as defined in Paragraph 17 below, (ii) Seller shall pay to Allied a fee equal to 15% of the amount of any payment or other property which was received by Seller as property of Allied in addition to all other amounts owing to Allied, and (iii) Seller, at Allied's option, shall immediately repurchase all Accounts acquired by Allied which are then owing by the Account Debtors by payment of the Repurchase Price to Allied, even if such Accounts were purchased Without Recourse.

15. Power of Attorney . Seller makes, constitutes and appoints Allied and its Chief Executive Officer and President as Seller's true and lawful attorney-in-fact with power of substitution and with power and authority to: (i) endorse the name of Seller or of any of its officers or agents upon any notes, checks, drafts, money orders, or other instruments of payment; (ii) sign and endorse the name of Seller or any of its agents upon any invoice, freight or express bill, bill of lading, storage or warehouse receipt, drafts against Account Debtors, assignments, verifications, demands under letters of credit and notices in connection with Accounts acquired by Allied or which are Collateral under this Agreement, and any instrument or document relating thereto or to Seller's rights therein; (iii) execute any agreement compromising and settling any Dispute or collection of any Account owned by Allied or owned by Seller, if Seller is in default hereunder, on terms and conditions acceptable to Allied in its sole discretion; (iv) bring suit in the name of Allied to collect any Account; (v) amend the terms of any Account owned by Allied or owned by Seller, if Seller is in default hereunder; (vi) execute any financing statements (including amendments) to perfect Allied's Security Interest granted by this Agreement; (vii) if Seller is in default hereunder, execute and file in the name of Seller or Allied, or both, mechanics' liens, mineral liens and all related notices and claims under any payment bond, statue, or contract, in connection with goods or services provided by Seller for the improvement of realty; (viii) notify any Account Debtor obligated with respect to any Account purchased by Allied or (if Seller is in default of its liabilities or obligations to Allied) in which Allied has a security interest that the underlying Account has been assigned to Allied by Seller and that payment thereof is to be made to the order of and directly and solely to Allied; (ix) communicate directly with Account Debtors to verify the amount and validity of any Account and to collect payment; (x) if Allied (in its sole and absolute discretion) declares Seller to be in default hereunder, give written notice to such office and officials of the United States Post Office to effect such change or changes of address that all mail addressed to Seller may be delivered directly to Allied; and (xi) exercise reclamation rights of Seller and to file a claim in a bankruptcy proceeding of an Account Debtor (which Seller requests Allied to do). Seller's attorney-in-fact is hereby granted full power to do all necessary things to accomplish the above as fully and effectively as could Seller. Seller ratifies all that the attorney-in-fact shall lawfully do or cause to be done by virtue hereof. The power of attorney shall be irrevocable for the Term of this Agreement and until Allied has irrevocably received all payments to which Allied is or may be entitled from Seller and Account Debtors on Accounts purchased by Allied or in which it has a security interest.

16. Default . Except as specifically provided herein, the following events shall constitute a default under this Agreement: (i) Seller fails to pay any amounts owing hereunder or fails to fulfill its other obligations under this Agreement or fails to make payments or fulfill obligations under any other agreements that it may have with Allied, (ii) Seller's warranties or representations set forth herein prove to be untrue or false in any respect, howsoever minor, (iii) Seller or any guarantor of the payment and performance of obligations hereunder becomes subject to any debtor-relief proceedings, (iv) any such guarantor fails to perform or observe any of such guarantor's obligations to Allied or to notify Allied of its intention to rescind, modify, terminate, or revoke any guaranty, or any such guaranty ceases to be in full force and effect for any reason whatsoever, or (v) Allied, for any reason, in good faith, deems itself insecure with respect to the prospect of repayment or performance of the obligations of Seller. If Seller does not pay or perform its liabilities or obligations hereunder or any other event of default exists (in Allied’s sole determination), Allied may, without notice (except as required by Texas law), (i) enforce and foreclose its Security Interest in the Collateral in accordance with its rights under the Texas Uniform Commercial Code, (ii) notify any Account Debtor to make payment of any Account directly to Allied, regardless of whether such Accounts have been purchased by Allied or Allied has a Security Interest therein, and (iii) exercise any one or all of its other rights and remedies set forth in this Agreement.

17. Term . Unless sooner terminated by either of the parties hereto, the initial Term of this Agreement shall commence on the Effective Date and continue for 12 months from the Effective Date (the "Initial Term"). After the Initial Term and any Renewal Term (as defined below), this Agreement shall automatically be extended for an additional period of one (1) year (each period a "Renewal Term"), subject to earlier termination by either of the Parties in accordance with the terms of this agreement, unless either party hereto gives written notice to the other at least 30 days prior to the end of the Initial Term or any Renewal Term (the Initial Term and any Renewal Term(s) are referred to herein as the "Term"), as applicable, that the Term is not renewed. Allied may terminate this Agreement at any time (i) by giving written notice to Seller if the Seller is in breach or default under this Agreement, or (ii) by giving 30 days advance written notice to Seller. Provided Seller is not in default hereunder, Seller may terminate this Agreement at any time by giving 30 days prior written notice to Allied, accompanied by the Termination Fee. A fee of 1.25% of the Facility Amount (in Allied's proposal, accepted by Seller, September 11, 2015) shall be paid by Seller to Allied if this Agreement is terminated by Seller (except as hereinafter provided) or if this Agreement is terminated by Allied due to Seller's breach of any warranty, term, condition or provision of this Agreement (the "Termination Fee"); provided, however, the Termination Fee is waived if Seller is not in default and obtains a Traditional Bank Loan secured by its Accounts, or obtains equity financing, and pays all of its obligations owed to Allied from the loan or equity proceeds. The Termination Fee is not a penalty, but is a reasonable estimate of the damages Allied is likely to suffer as a result of termination, and constitutes agreed liquidated damages. A "Traditional Bank Loan" is defined herein as a secured loan or line of credit that does not include any type of (a) factoring, (b) "asset-based lending," which is based on a percentage of the outstanding principal balance of acceptable receivables or the value of inventory, or (c) similar financing as those financing arrangements are commonly known in the commercial finance industry. A secured loan or line of credit that does not actually include the types of financing described in the foregoing clauses (a)-(c) shall constitute a Traditional Bank Loan notwithstanding that the provider of such Traditional Bank Loan may offer such types of financing. Determining whether a loan qualifies as a Traditional Bank Loan under this Agreement is within Allied's sole and exclusive discretion. All covenants, agreements, undertakings, representations, warranties, and obligations related to any transaction (including without limitation sales of Accounts) entered into or made pursuant hereto, and all security interests granted herein or arising hereunder and rights of Allied to enforce this Agreement and the security interests granted herein (including without limitation those arising under paragraphs 4, 5, 11-16 and 19 hereof) shall survive expiration of the Term or any termination of this Agreement.

18. Limited Right of First Offer. Seller hereby agrees that in the event Seller receives a New Commitment during the Term, Seller will (i) advise Allied in writing of the identity of the offeror of the New Commitment and the complete terms of the New Commitment, and (ii) accept Allied's commitment if Allied elects, in its sole discretion, to offer to modify this Agreement to contain the same terms as the New Commitment.

19. Miscellaneous . The parties agree to the following additional terms:

19.1. This Agreement shall be binding upon and inure to the benefit of both parties and their legal representatives, successors and assigns.

19.2. This Agreement shall be construed and enforced in accordance with and governed by the laws of the State of Texas. Venue for the institution of any legal proceeding shall be in Dallas County, Texas. Each sale of an Account to Allied under this Agreement is an "Account Purchase Transaction" as defined by section 306.001(1) of the Texas Finance Code and is subject to such subtitle of the Texas Finance Code.

19.3. If any term of this Agreement is held to be illegal, invalid, or unenforceable, such determination shall not affect the validity of the remaining terms. Time is of the essence of this Agreement.

19.4. Seller authorizes Allied to file and re-file Financing Statements at any time describing the above described Collateral (and all amendments thereto, assignments, and renewals thereof, including continuation statements) any place or places that Allied may deem necessary or appropriate, with or without the signature of Seller thereon, and all financing statements already filed by Allied are hereby ratified, authorized and approved.

19.5. All notices under this Agreement shall be in writing and delivered (i) personally, (ii) mailed by certified mail, return receipt requested, postage prepaid, or (iii) certified/registered email. The parties shall use the addresses set forth below for all notices, unless the party giving the notice has received written notice from the recipient of a change of address at least 10 days prior to the notice given under this Agreement.

Allied Affiliated Funding, L.P.
PO Box 676649
Dallas, TX 75267-6649
Hand Delivery or overnight delivery only:
5151 Beltline Road, Ste. 500
Dallas, TX 75254
Facsimile: 972-404-0060

Seller:
Creative Realities, Inc. and Creative Realities, LLC
22 Audrey Place, Fairfield, NJ 07004
Attn: Alan Levy
alevy@cri.com

ConeXus World Global, LLC
13100 Magisterial Drive, Suite 100
Louisville, KY 40223
Attn: Rick Mills
rick.mills@conexusworld.com

19.6. Seller waives all notices of default, opportunity to cure, presentment, demand, protest, and notice of dishonor.

19.7. This Agreement constitutes the entire understanding between the parties and it may not be changed or, except as specifically provided herein, terminated except in an instrument signed by both parties.

19.8. Allied shall not be deemed to have waived any of its rights and remedies unless the waiver is in writing and signed by Allied. A waiver by Allied of a right or remedy under this Agreement on one occasion shall not constitute a waiver of the right or remedy on any subsequent occasion.

19.9. Seller may inspect the (i) Reserve Account Report, (ii) Purchase and advance Report, (iii) Account Aging Report, and (iv) all other reports that Allied may make available to Seller (the "Reports") concerning transactions arising under this Agreement at any time through access granted on a website maintained by Allied. All debits and credits posted to such Reports shall be deemed complete, acceptable, conclusive and binding upon Seller and such Reports shall be deemed an account stated for each calendar month after the commencement of this Agreement, unless Allied receives written notice from Seller stating in detail and with particularity any exception thereto within 60 days after the end of such calendar month.

19.10. Seller shall reimburse Allied for the following costs reasonably incurred by Allied in the course of performing its functions under this Agreement: credit research, certified mail postage, UCC searches and UCC filing fees, and wire transfer fees. The cost of credit reports and all other costs shall be reimbursed at Allied's actual documented out-of-pocket cost. Seller also agrees to reimburse Allied the actual amount of documented out-of-pocket costs and expenses, including reasonable attorney's fees, incurred by Allied in protecting, preserving or enforcing any lien, security interest, title, Collateral or other right granted by Seller to Allied or arising under applicable law, whether or not suit is brought, including but not limited to the defense of fraudulent transfer and preference claims, enforcement of this Agreement or recovery of any damages incurred by Allied as a result of the Seller's default. Seller shall also reimburse Allied for its actual documented out-of-pocket costs in assuring Seller's continuing compliance with this Agreement, such as the cost of the federal tax lien search, UCC searches and Secretary of State Confirmations and certificates.

19.11. Seller agrees to execute any further documents and to take any further actions reasonably requested by Allied to evidence or perfect the Security Interest granted herein or the assignments of Accounts pursuant hereto, or to give effect to any of the rights granted to Allied under this Agreement.

19.12. Seller has signed this agreement and submits the Agreement to Allied for acceptance at Allied's offices in Dallas, Dallas County, Texas. Seller and Allied shall make all payments and perform all other obligations arising hereunder at Dallas County, Texas, and this Agreement is made and entered into at Dallas County, Texas. Dallas County, Texas, shall be the venue for any litigation arising under this Agreement. Seller acknowledges that Allied Capital Partners, L.P. is the assumed name of Allied Affiliated Funding, L.P., a Texas limited partnership, and that Allied Affiliated Funding, L.P. also does business under the assumed name, TCC. All contracts, UCC filings and this factoring agreement shall only be binding upon and inure to the benefit of Allied Affiliated Funding, L.P. if executed or filed in the name of Allied Affiliated Funding, L.P. or in one of its aforementioned assumed names. In the event it becomes necessary for Allied to obtain a temporary restraining order or other injunctive relief in order to enforce the provisions of this Agreement, Seller hereby agrees to such an order, and the parties agree that the Court may require a bond which does not exceed the sum of $1,000.00 as a condition therefore, and such bond shall be reasonable and adequate in all respects and under all circumstances.

19.13. All amounts payable to Allied by Seller, including without limitation amounts payable under this Agreement, are payable on demand by Allied, except (i) amounts payable under Paragraph 13 of this Agreement, for which no demand is required, and except (ii) amounts expressly payable at a certain date or occurrence of a certain event, which are payable at such date or upon the occurrence of such event. Allied is authorized, at its sole option, to collect any payments owing by Seller to Allied under this Agreement by debit, offset or recoupment from or against the Reserve, at any time and from time to time. In the event Seller is in default under any of the terms of this Agreement, Allied may, at its option, require Seller to repurchase all unpaid Accounts that were purchased by Allied, even if such Accounts were purchased Without Recourse. With respect to any unpaid amounts owed by the Seller that are not otherwise applied against the Reserve, interest shall accrue on all sums owing to Allied by Seller at 17% per annum, but not to exceed the highest rate permitted by law, as amended from time to time. The determination of the highest rate permitted by applicable Texas law shall be made by using the weekly ceiling, as applicable and as limited by statutorily fixed interest rate ceilings (the "Maximum Rate"). In no event shall the amount paid, or agreed to be paid to or charged by Allied for the use, forbearance, of detention of money or for the payment of performance of any covenant or obligation contained herein exceed the Maximum Rate, and if Allied receives interest which otherwise would cause the amount paid, charged, collected or demanded to exceed the Maximum Rate, and Allied receives interest which otherwise would exceed the Maximum Rate, such amount which would be excessive interest shall be applied to the reduction of the principal indebtedness and the balance, if any, shall be refunded the Seller.

19.14. This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if all signatures were upon the same instrument. Signatures may be affixed manually or digitally and delivery of an executed counterpart of the signature pages to this Agreement by facsimile or by electronic means shall be effective as delivery of a manually executed counterpart, and any party delivering such and executed counterpart of this Agreement or facsimile or electronic means to any other party shall thereafter also promptly deliver a manually executed counterpart of this Agreement to such other party, provided that the failure to deliver such manually executed counterpart shall not affect the validity, enforceability or binding effect of this Agreement.

19.15. Allied may, in its discretion, require Seller to provide Allied with monthly or quarterly financial statements, accounts receivable aging, accounts payable aging, and other reports or documentation on the business.

20. Dilution . Seller represents and warrants to Allied that, during each calendar quarter of the term of this Agreement, Account Dilution will never be greater than 1% (the "Maximum Account Dilution"). Seller acknowledges that Allied has established the Reserve percentage set forth in this Agreement based on Seller's representations and warranties to Allied concerning the Maximum Account Dilution. If Account Dilution during any calendar quarter exceeds Maximum Account Dilution by more than three (3) percentage points, Allied may (at its sole option and discretion) immediately raise the Reserve for the next calendar quarter by the same number of percentage points as that number by which such Account Dilution exceeds Maximum Account Dilution. As used herein, " Account Dilution " means, with respect to any calendar quarter, the amount, expressed as a percentage, equal to (a) the sum of all Accounts which Seller becomes obligated to re-purchase from Allied under this Agreement during such quarter minus the sum of the collections received by Allied from all Accounts created by Seller that were not sold to Allied during such quarter minus the sum of the collections from Accounts that were re-purchased by Seller from Allied during such quarter; divided by (b) the Face Amount of all Accounts purchased by Allied during such quarter.

SPACE INTENTIONALLY LEFT BLANK

Seller: Creative Realities, Inc.

By: **/s/ Alan Levy**
Name: **Alan Levy**
Title: **VP and Corp. Controller**
Date: **10/15/2015**

STATE OF NEW JERSEY §
§
COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____[Name], _____[Title] of Creative Realities, Inc., a Minnesota corporation, known to me to be the person whose name is subscribed on the foregoing instrument and acknowledged to me that he/she executed the same for purposes and consideration therein expressed in the capacity therein stated as the act and deed of said corporation.

[SEAL]

_____
Notary Public, State of New Jersey

_____
Printed Name of Notary Public
My Commission Expires:

_____
Notary Public, State of New Jersey

Seller: Creative Realities, LLC.

By: **/s/ Alan Levy**
Name: **Alan Levy**
Title: **VP and Corp. Controller**
Date: **10/15/2015**

STATE OF NEW JERSEY §
§
COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____[Name], _____[Title] of Creative Realities, LLC., a Delaware limited liability company, known to me to be the person whose name is subscribed on the foregoing instrument and acknowledged to me that he/she executed the same for purposes and consideration therein expressed in the capacity therein stated as the act and deed of said limited liability company.

[SEAL]

_____
Notary Public, State of New Jersey

_____
Printed Name of Notary Public
My Commission Expires:

_____
Notary Public, State of New Jersey

Seller: ConeXus World Global, LLC.

By: **/s/ Alan Levy**
Name: **Alan Levy**
Title: **VP and Corp. Controller**
Date: **10/15/2015**

STATE OF NEW JERSEY §
§
COUNTY OF _____ §

BEFORE ME, the undersigned authority, on this day personally appeared _____[Name], _____[Title] of ConeXus World Global, LLC., a Kentucky limited liability company, known to me to be the person whose name is subscribed on the foregoing instrument and acknowledged to me that he/she executed the same for purposes and consideration therein expressed in the capacity therein stated as the act and deed of said limited liability company.

[SEAL]

_____
Notary Public, State of Kentucky

_____
Printed Name of Notary Public
My Commission Expires:

_____
Notary Public, State of Kentucky

Accepted on the _____ day of _____, 2 _____ at Dallas, Dallas County, Texas by Allied.

ALLIED AFFILIATED FUNDING, L.P.

By: **/s/ Clay Tramel**
Name: Clay Tramel
Title: Chief Executive Officer
Date: **10/15/2015**

Exhibit 16

Baker Tilly Virchow Krause, LLP
225 S Sixth St, Ste 2300
Minneapolis, MN 55402-4661
tel 612 876 4500
fax 612 238 8900
bakertilly.com

October 21, 2015

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We have read the statements made by Creative Realities, Inc. (copy attached), which we understand will be filed with the Securities and Exchange Commission, pursuant to Item 4.01(a) of Form 8-K, as part of the Form 8-K of Creative Realities, Inc. dated October 21, 2015. We agree with the statements concerning our Firm in such Form 8-K.

Sincerely,

/s/ Baker Tilly Virchow Krause, LLP

Baker Tilly Virchow Krause, LLP

Exhibit 99.1

CONFIDENTIAL & PROPRIETARY

FOR IMMEDIATE RELEASE

Creative Realities announces completion of ConeXus World acquisition

Transaction adds new CEO, significant core competencies, and increased financing flexibility

NEW YORK, NY – October 20, 2015 – Creative Realities, Inc. ("Creative Realities", "CRI", or the "Company") (OTCQB: CREX), a leading marketing technologies solutions provider, announced that it has completed the acquisition of ConeXus World Global, LLC ("ConeXus"). ConeXus is now a wholly-owned subsidiary of the Company.

ConeXus, a leading provider of digital signage installation and services, provides the Company a stellar client list of luxury brands, DOOH companies, advertising networks and global retailers with active installations in 40 countries. ConeXus generated approximately $4.5 million of revenue for the first nine months of 2015, representing a doubling over the year prior, and has the potential for significant continued expansion. Taken together with the revenue initiatives and cost reduction activities that CRI has been undertaking, this business combination creates a larger and more profitable enterprise in a high growth industry that is in the process of consolidating.

Alec Machiels, Chairman of the Company stated, "CRI and Conexus are a fantastic strategic fit. Conexus' reputation, personnel and operational expertise in designing, installing and servicing high-end marketing technology solutions and complex audio-visual networks domestically and internationally is outstanding. Combined with CRI's core competencies in the design of front-end omnichannel experiences, content solutions, and other capabilities, this will significantly enhance and further differentiate our end-to-end offerings in the marketplace. The board is also extremely pleased to be naming Rick as CEO of the combined company. He has over 20 years of experience in this field and significant public company experience."

Rick Mills, the incoming Chief Executive Officer and Director of the Company added, "We are pleased to be joining forces with the Creative Realities team. This is about creating scale and a platform optimized for organic growth and acquisitions. As the growth of digital marketing continues to accelerate, we are well positioned to be the provider of the total solution."

Simultaneous with closing of the ConeXus transaction, the Company entered into a $3.0 million accounts receivables financing facility with a nationally-established lender and also closed on an additional $500,000 of secured promissory notes.

The merger agreement was amended in part to reflect this and certain other conditions, and is filed with the SEC. The stock consideration payable in the transaction is equal to approximately 21.3% of the Company on a fully-diluted, as-converted basis, after the issuance of a combination of the Company's common and preferred stock at a price (or conversion price) of $0.28 per share. This amount includes a holdback provision that could reduce the final stock consideration paid by the Company.

About Creative Realities

Creative Realities helps retailers and brands use the latest technologies to inspire shopper engagement in and around the Store. Founded 16 years ago, the firm's evolving client base has led to recognized leadership in deploying technology aligned with strategic and consumer behavior goals at Retail. The firm has delivered consumer/shopper experiences, and is actively providing recurring services today, across diverse categories: Automotive, Apparel & Accessories, Banking, Baby/Children, Beauty, CPG, Department Stores, Electronics, Fashion, Fitness, Foodservice/QSR, Financial Services, Gaming, Luxury, Mass Merchants, and Pharmacy Retail.

About ConeXus

The Company's ConeXus subsidiary designs, installs and services high-end audio-visual networks for global retailers, luxury brands, digital out-of-home (DOOH) companies, advertising networks, and outdoor clients. The company has four offices across North America and active installations in 40 countries.

Cautionary Note on Forward-Looking Statements
This press release contains certain statements that would be deemed "forward-looking statements" under Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 and includes, among other things, discussions of our business strategies, future operations and capital resources. Words such as “may,” “likely,” “anticipate,” “expect” and “believe” indicate forward-looking statements.

These forward-looking statements may reflect management’s present expectations and estimates regarding future expenses, revenue and profitability, trends affecting our financial condition and results of operations, operating efficiencies, revenue opportunities, potential new markets, and the ability of the Company to effectively compete in a highly competitive market. Nevertheless, and despite the fact that management’s expectations and estimates are based on assumptions management believes to be reasonable and data management believes to be reliable, the Company’s actual results, performance, or achievements are subject to future risks and uncertainties, any of which could materially affect the Company’s actual performance. Risks and uncertainties that could affect such performance include, but are not limited to: the adequacy of funds for future operations; future expenses, revenue and profitability; trends affecting financial condition and results of operations; ability to convert proposals into customer orders; the ability of customers to pay for products and services; the impact of changing customer requirements upon revenue recognition; customer cancellations; the availability and terms of additional capital; ability to develop new products; dependence on key suppliers, manufacturers and strategic partners; industry trends and the competitive environment; the impact of the Company’s financial condition upon customer and prospective customer relationships; and the impact of losing one or more senior executives or failing to attract additional key personnel. These and other risk factors are discussed in Company reports filed with the Securities and Exchange Commission.

Given these uncertainties, and the fact that forward-looking statements represent management’s estimates and assumption as of the date of this press release, you should not attribute undue certainty to these forward-looking statements. We assume no obligation to update any forward-looking statements publicly, or to update the reasons why actual results could differ materially from those anticipated in any forward-looking statements contained in this press release, even if new information becomes available in the future.

Investor Relations Contact:
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