

CREATIVE REALITIES, INC.

FORM 10-Q (Quarterly Report)

Filed 05/13/16 for the Period Ending 03/31/16

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	IT Services & Consulting
Sector	Technology
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2016

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 001-33169



Creative Realities, Inc.

(Exact name of registrant as specified in its charter)

Minnesota

*(State or other jurisdiction of
incorporation or organization)*

41-1967918

*(I.R.S. Employer
Identification No.)*

22 Audrey Place, Fairfield NJ 07004

(Address of principal executive offices, including zip code)

(973) 244-9911

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 month (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>

(Do not check if a smaller reporting company)

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

As of May 13, 2016, the registrant had 64,617,017 shares of common stock outstanding.

PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

CREATIVE REALITIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

ASSETS	March 31, 2016 (unaudited)	December 31, 2015
CURRENT ASSETS		
Cash and cash equivalents	\$ 339	\$ 1,361
Accounts receivable	1,006	884
Unbilled receivables	112	81
Work-in-process and inventories	136	82
Prepaid expenses and other current assets	363	348
Total current assets	1,956	2,756
Property and equipment, net	880	892
Intangibles, net	4,361	4,831
Goodwill	14,354	14,354
Other assets	184	203
TOTAL ASSETS	\$ 21,735	\$ 23,036
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term notes payable	\$ 150	\$ 150
Accounts payable	3,439	3,601
Accrued expenses	2,062	2,318
Deferred revenues	1,696	1,213
Total current liabilities	7,347	7,282
Loans payable, net of discount of \$725 and \$909, respectively	2,777	2,280
Warrant liability	1,390	1,649
Deferred tax liabilities	421	358
Dividend payable	112	-
Other liabilities	111	96
TOTAL LIABILITIES	12,158	11,665
COMMITMENTS AND CONTINGENCIES		
Convertible preferred stock, net of discount (liquidation preference of \$7,555 and \$5,495, respectively)	3,669	3,769
SHAREHOLDERS' EQUITY		
Common stock, \$.01 per value, 200,000 shares authorized; 64,617 and 64,224 shares issued and outstanding, respectively	646	642
Additional paid-in capital	21,642	21,574
Accumulated deficit	(16,380)	(14,614)
Total shareholders' equity	5,908	7,602
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 21,735	\$ 23,036

See accompanying notes to condensed consolidated financial statements

CREATIVE REALITIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(Unaudited)

	For the Years Ended March 31,	
	2016	2015
Sales		
Hardware	\$ 658	\$ 429
Services and other	1,777	1,697
Total sales	<u>2,435</u>	<u>2,126</u>
Cost of sales		
Hardware	740	382
Services and other	550	1,267
Total cost of sales (exclusive of depreciation and amortization shown separately below)	<u>1,290</u>	<u>1,649</u>
Gross profit	1,145	477
Operating expenses:		
Sales and marketing expenses	240	326
Research and development expenses	246	231
General and administrative expenses	1,717	2,100
Depreciation and amortization expense	539	425
Total operating expenses	<u>2,742</u>	<u>3,082</u>
Operating loss	(1,597)	(2,605)
Other income (expenses):		
Interest expense	(397)	(63)
Other income/(expense)	12	(10)
Change in fair value of warrant liability	279	745
Total other income/(expense)	<u>(106)</u>	<u>672</u>
Net loss before income taxes	(1,703)	(1,933)
Provision for income taxes	(63)	-
Net loss	(1,766)	(1,933)
Dividends on preferred stock	(112)	(113)
Net loss attributable to common shareholders	<u>\$ (1,878)</u>	<u>\$ (2,046)</u>
Net loss per common share - basic and diluted		
Net loss	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>
Net loss attributable to common shareholders	<u>\$ (0.03)</u>	<u>\$ (0.04)</u>
Weighted average shares outstanding - basic and diluted	<u>64,479</u>	<u>46,218</u>

See accompanying notes to condensed consolidated financial statements.

CREATIVE REALITIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(Unaudited)

	Three Months Ended March 31,	
	2016	2015
Operating Activities:		
Net loss	\$ (1,766)	\$ (1,933)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	539	425
Amortization of debt discount	184	43
Stock-based compensation	72	103
Change in warrant liability	(279)	(745)
Deferred tax provision	63	-
Allowance for doubtful accounts	-	103
Warrant issued for services	20	-
Noncash interest added to promissory notes	24	-
Changes to operating assets and liabilities:		
Accounts receivable and unbilled revenues	(153)	680
Inventories	(54)	165
Prepaid expenses and other current assets	(15)	(51)
Other assets	19	-
Accounts payable	127	(342)
Deferred revenue	(256)	327
Accrued expenses	483	(84)
Other non-current liabilities	27	-
Net cash used in operating activities	(965)	(1,309)
Investing activities		
Purchases of property and equipment	(57)	(29)
Net cash used in investing activities	(57)	(29)
Financing activities		
Issuance of convertible preferred stock and warrants	-	90
Issuance of loans payable and warrants	-	1,148
Net cash provided by financing activities	-	1,238
Decrease in Cash and Cash Equivalents	(1,022)	(100)
Cash and Cash Equivalents, beginning of period	1,361	573
Cash and Cash Equivalents, end of period	\$ 339	\$ 473

See accompanying notes to condensed consolidated financial statements.

CREATIVE REALITIES, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(in thousands, except share and per share amounts)
(unaudited)

All currency is rounded to the nearest thousand except share and per share amounts

NOTE 1: NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Unless the context otherwise indicates, references in these Notes to the accompanying condensed consolidated financial statements to “we,” “us,” “our” and “the Company” refer to Creative Realities, Inc. and its subsidiaries.

Basis of Presentation

We have prepared the condensed consolidated financial statements included herein, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). The condensed consolidated financial statements include the Company’s wholly owned subsidiaries. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed in the accompanying condensed consolidated financial statements. The accompanying year end condensed consolidated balance sheet was derived from the audited financial statements included in the annual financial statements but does not include all disclosures required by U.S. GAAP. The accompanying interim financial statements are unaudited, and reflect all adjustments that in the opinion of management, are necessary for a fair presentation of the Company’s condensed consolidated financial position, results of operations, and cash flows for the periods presented. Unless otherwise noted, all such adjustments are of a normal, recurring nature. All intercompany transactions and balances have been eliminated in consolidation. The Company’s results of operations and cash flows for the interim periods are not necessarily indicative of the results of operations and cash flows that it may achieve in future periods. Nevertheless, we believe that the disclosures are adequate to ensure the information presented is not misleading. These unaudited condensed consolidated financial statements should be read in conjunction with our audited financial statements and the notes thereto for the year ended December 31, 2015 included in the Company’s 10-K filed with the SEC on April 4, 2016.

Nature of the Company’s Business

Creative Realities, Inc. is a Minnesota corporation that provides innovative shopper marketing and digital marketing technology and solutions to retail companies, individual retail brands, enterprises and organizations throughout the United States and in certain international markets. We have expertise in a broad range of existing and emerging shopper and digital marketing technologies, as well as the related media management and distribution software platforms and networks, device management, product management, customized software service layers, systems, experiences, workflows, and integrated solutions. Our technology and solutions include: digital merchandising systems and omni-channel customer engagement systems, interactive digital shopping assistants, advisors and kiosks, and other interactive marketing technologies such as mobile, social media, point-of-sale transactions, beaconing and web-based media that enable our customers to transform how they engage with consumers. We have expertise in a broad range of existing and emerging digital marketing technologies, as well as the following related aspects of our business: content, network management, and connected device software and firmware platforms; customized software service layers; hardware platforms; digital media workflows; and proprietary processes and automation tools. We believe we are one of the world’s leading interactive marketing technology companies that focuses on the retail shopper experience by helping retailers and brands use the latest technologies to create better shopping experiences.

Going Concern Uncertainty

We have incurred net losses and negative cash flows from operating activities for the three months ended March 31, 2016 and the years ended December 31, 2015 and 2014. As of March 31, 2016, we had cash and cash equivalents of \$339 and a working capital deficit of \$(5,391). These factors raise substantial doubt about our ability to continue as a going concern. Management believes that despite its losses to date and while we can provide no assurance that our ongoing integration efforts will be successful, the operations of the consolidated Company resulting from the completed merger and related restructuring actions will improve our sales, profit margin, scale and operating efficiencies.

The condensed consolidated financial statements do not include any adjustments to the recoverability and classifications of recorded assets and liabilities as a result of the above uncertainty.

Major Acquisitions

Acquisition of ConeXus World Global

On October 15, 2015, we completed the acquisition of ConeXus World Global, LLC pursuant to the Agreement and Plan of Merger and Reorganization for 2,080,000 shares of Series A-1 Convertible Preferred Stock, and the conversion of \$823 of ConeXus World Global debt into (i) 2,639,258 shares of our common stock, and (ii) \$150 in principal amount of our convertible debt. As a result of the merger transaction, ConeXus World Global, LLC is now our wholly owned operating subsidiary. The merger was completed by the filing of articles of merger with the Kentucky Secretary of State .

The debtholders and members of ConeXus received a total of 1,664,000 shares of Series A-1 Convertible Preferred Stock, par value \$1.00, and 16,000,000 shares of our common stock, par value \$0.01. In accordance with the terms of the amendment to the agreement and plan of merger and reorganization, an additional 416,000 shares of Series A-1 Convertible Preferred Stock and 4,000,000 shares of common stock, collectively referred to as holdback shares, shall be issued immediately upon the reorganization of the capital structure of a Belgian affiliate of ConeXus, as discussed below.

The agreement and plan of merger and reorganization contemplates an ownership matter among the former ConeXus security holders involving an erroneously documented ownership situation related to its Belgian affiliate, with the resolution of such matter, including the reorganization of the Belgian affiliate, subject to the agreement of the Company. Effective February 8, 2016, the Company has extended the period from March 31, 2016 to June 30, 2016 for the ConeXus security holders to resolve such ownership matter, including the reorganization of the Belgian affiliate. The Company believes that the reorganization of the Belgian affiliate is not probable and as such no liability has been recorded for these additional shares, the consideration has not been included in the purchase price allocation and the financial results of the Belgian affiliate have not been included in the condensed consolidated financial statements for the three months ended March 31, 2016. The Belgian affiliate is not currently nor is it expected to be under the common control ownership or a variable interest entity of the Company as a result of this transaction. Notwithstanding the foregoing, Company is involved in discussions and the early stages of negotiations with the Belgian affiliate to pursue the potential acquisition of such affiliate in a separate transaction, independent of the ConeXus World Global, LLC Plan of Merger and Reorganization described herein.

Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying financial statements follows:

1. Principles of Consolidation

The condensed consolidated financial statements include the accounts of Creative Realities, Inc., our wholly owned subsidiaries ConeXus World Global LLC, Creative Realities, LLC, Broadcast International, Inc., and Wireless Ronin Technologies Canada, Inc. All inter-company balances and transactions have been eliminated in consolidation, as applicable.

2. Foreign Currency

For the Company's Canadian operations, the local currency has been determined to be the functional currency. The results of its non-U.S. dollar based operations are translated to U.S. dollars at the average exchange rates during the period. Assets and liabilities are translated at the rate of exchange prevailing on the balance sheet date. Equity is translated at the prevailing rate of exchange at the date of the equity transaction. The effects of converting non-functional currency assets and liabilities into the functional currency are recorded as general and administrative expenses in the condensed consolidated statements of operations. Translation adjustments, which are considered immaterial to date, have been recorded as general and administrative expenses in the condensed consolidated statements of operations.

3. Revenue Recognition

We recognize revenue primarily from these sources:

- Hardware:
System hardware sales
- Services and Other:
Professional and implementation services
Software design and development services
Software and software license sales
Maintenance and support services

We recognize revenue in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 910, *Contractors-Construction*, ASC 605, *Revenue Recognition*, ASC 605-25, *Accounting for Revenue Arrangements with Multiple Deliverables* and ASC subtopic 985-605, *Software*. In the event of a multiple-element arrangement, we evaluate each element of the transaction to determine if it represents a separate unit of accounting, taking into account all factors following the guidelines set forth in FASB ASC 985-605-25-5:

- (i) persuasive evidence of an arrangement exists;
- (ii) delivery has occurred, which is when product title transfers to the customer, or services have been rendered;
- (iii) customer payments are fixed or determinable and free of contingencies and significant uncertainties; and
- (iv) collection is reasonably assured. If it is determined that collection of a fee is not reasonably assured, we defer the revenue and recognize it at the time collection becomes reasonably assured, which is generally upon receipt of cash payment, revenues are reported on a gross basis.

We enter into arrangements with customers that include a combination of software products, system hardware, maintenance and support, or installation and training services. We allocate the total arrangement fee among the various elements of the arrangement based on the relative fair value of each of the undelivered elements determined by vendor-specific objective evidence (VSOE). In software arrangements for which we do not have VSOE of fair value for all elements, revenue is deferred until the earlier of when VSOE is determined for the undelivered elements (residual method) or when all elements for which we do not have VSOE of fair value have been delivered. We have determined the VSOE of fair value for each of the Company’s products and services.

The VSOE for maintenance and support services is based upon the renewal rate for continued service arrangements. The VSOE for installation and training services is established based upon pricing for the services. The VSOE for software and licenses is based on the normal pricing and discounting for the product when sold separately.

Each element of our multiple-element arrangements qualifies for separate accounting. Nevertheless, when a sale includes both software and maintenance, we defer revenue under the residual method of accounting. Under this method, the undelivered maintenance and support fees included in the price of software is amortized ratably over the period the services are provided. We defer maintenance and support fees based upon the customer’s renewal rate for these services.

System hardware sales

Included in “hardware” are system hardware sales whereby revenue is recognized generally upon shipment of the product or customer acceptance depending upon contractual arrangements with the customer. Shipping charges billed to customers are included in sales and the related shipping costs are included in cost of sales. Total hardware sales were \$658 and \$429 for the three months ended March 31, 2016 and 2015, respectively.

Services and Other

Included in “services and other” revenue is professional and implementation services, software design and development services, software and software license sales and maintenance and support services revenue. Total services and other revenue was \$1,777 and \$1,697 for the three months ended March 31, 2016 and 2015, respectively.

Professional and implementation services

Professional services revenue is derived primarily from consulting services related to the design and development of various marketing experiences, and content development and management. The majority of professional services and accompanying agreements qualify for separate accounting.

Implementation services revenue is derived from implementation, maintenance and support contracts, content development, software development and training.

These services are bid either on a fixed-fee basis, time-and-materials basis or both. For time-and-materials contracts, we recognize revenue as services are performed. For fixed-fee contracts, we recognize revenue upon completion of specific contractual milestones, by using the percentage-of-completion method.

Software design and development services

Software design and development services includes revenue from contracts for technology integration consulting services where we design/redesign, build and implement new or enhanced systems applications and related processes for clients recognized on the percentage-of-completion method. The percentage-of-completion accounting involves calculating the percentage of services provided during the reporting period compared to the total estimated services to be provided over the duration of the contract. Estimated revenues from applying the percentage-of-completion method include estimated incentives for which achievement of defined goals is deemed probable. Contract costs include all direct material, labor, subcontractors, certain indirect costs, such as indirect labor, equipment costs, supplies, tools and depreciation costs. Selling, general and administrative costs are charged to expense as incurred. This method is followed where reasonably dependable estimates of revenues and costs can be made. We measure progress for completion based on either the hours worked as a percentage of the total number of hours of the project or by delivery and customer acceptance of specific milestones as outlined per the terms of the agreement with the customer. Estimates of total contract revenue and costs are continuously monitored during the term of the contract, and recorded revenue and costs are subject to revision as the contract progresses. Such revisions may result in increases or decreases to revenue and income and are reflected in the financial statements in the periods in which they are first identified. If estimates indicate that a contract loss will occur, a loss provision is recorded in the period in which the loss first becomes probable and reasonably estimable. Contract losses are determined to be the amount by which the estimated direct and indirect costs of the contract exceed the estimated total revenue that will be generated by the contract and are included in cost of sales and classified in accrued expenses in the balance sheet. Our presentation of revenue recognized on a contract completion basis has been consistently applied for all periods presented.

Software and software license sales

Software and software license sales are revenue when a fixed fee order has been received and delivery has occurred to the customer. We assess whether the fee is fixed or determinable and free of contingencies based upon signed agreements received from the customer confirming terms of the transaction. Software is delivered to customers electronically or on a CD-ROM, and license files are delivered electronically.

Maintenance and support services

Maintenance and support services revenue consists of software updates and various forms of support services. Software updates provide customers with rights to unspecified software product upgrades and maintenance releases and patches released during the term of the support period. Support includes access to technical support personnel for software and hardware issues. We also offer a hosting service through our network operations center, or NOC, allowing the ability to monitor and support its customers' networks 7 days a week, 24 hours a day. This revenue is recognized ratably over the term of the contract, which is typically one to three years. Maintenance and support is renewable by the customer. Rates for maintenance and support, including subsequent renewal rates, are typically established based upon a fee per location, per device, or a specified percentage of net software license fees as set forth in the arrangement. Support agreement fees are based on the level of service provided to its customers, which can range from monitoring the health of a customer's network to supporting a sophisticated web-portal to managing the end-to-end hardware and software of a digital marketing system.

Costs and estimated earnings recognized in excess of billings on uncompleted contracts are recorded as unbilled services and are included in work-in-process on the balance sheet. Billings in excess of costs and estimated earnings on uncompleted contracts are recorded as deferred revenue until revenue recognition criteria are met. Unbilled receivables are a normal part of our business as some receivables are invoiced in the month following shipment or completion of services. Our policy is to present any taxes imposed on revenue-producing transactions on a net basis.

4. Cash and Cash Equivalents

Cash equivalents consist of commercial paper and all other liquid investments with original maturities of three months or less when purchased. As of March 31, 2016 and December 31, 2015, the Company had substantially all cash invested in commercial banks. The Company maintained its cash balances in banks located in New York, California and Canada. The balances are insured by the Federal Deposit Insurance Corporation up to \$250.

5. Accounts Receivable and Allowance for Doubtful Accounts

Our unsecured accounts receivable are customer obligations due under normal trade terms, carried at their face value less an allowance for doubtful accounts. As discussed in Note 3, we have entered into a factoring arrangement with Allied Affiliated Funding for our accounts receivable with recourse. The majority of our receivables have been factored. We determine our allowance for doubtful accounts based on the evaluation of the aging of its accounts receivable and on a customer-by-customer analysis of its high-risk customers. Our reserves contemplate our historical loss rate on receivables, specific customer situations and the economic environments in which we operate. We determine past-due accounts receivable on a customer-by-customer basis. Accounts receivable are written off after all reasonable collection efforts have failed. There is an immaterial amount of reserve for doubtful accounts at March 31, 2016 and December 31, 2015.

6. Work-In-Process and Inventories

Our work-in-process and inventories are recorded using the lower of cost or market on a first-in, first-out (FIFO) method. Inventory is net of an allowance for obsolescence of \$27 as of March 31, 2016 and December 31, 2015.

7. Fair Value of Financial Instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). Inputs are broadly defined as assumptions market participants would use in pricing an asset or liability.

FASB ASC 820-10, *Fair Value Measurements and Disclosures*, requires disclosure of the estimated fair value of an entity's financial instruments. Such disclosures, which pertain to our financial instruments, do not purport to represent our aggregate net fair value. The carrying value of cash and cash equivalents, accounts receivable, accounts payable, and accrued liabilities approximate fair value because of the short maturity of those instruments. The fair value of the loan payable approximates carrying value based on the interest rates in the agreement compared to current market interest rates. The fair value of the warrant liabilities is calculated using a Black-Scholes model, which approximates a binomial model due to probability factors used to determine the fair value. This calculation of this liability is based on Level 3 inputs. See Notes 5 and 12 for further discussion on the valuation of warrant liabilities.

8. Impairment of Long-Lived Assets

We review the carrying value of all long-lived assets, including property and equipment, for impairment in accordance with "ASC 360-10-05-4," *Accounting for the Impairment or Disposal of Long-Lived Assets*. Under ASC 360-10-05-4, impairment losses are recorded whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable.

If the impairment tests indicate that the carrying value of the asset is greater than the expected undiscounted cash flows to be generated by such asset, an impairment loss would be recognized. The impairment loss is determined by the amount by which the carrying value of such asset exceeds its fair value. We generally measure fair value by considering sale prices for similar assets or by discounting estimated future cash flows from such assets using an appropriate discount rate. Assets to be disposed of are carried at the lower of their carrying value or fair value less costs to sell. Considerable management judgment is necessary to estimate the fair value of assets, and accordingly, actual results could vary significantly from such estimates. There were no impairment losses for long-lived assets recorded during the three months ended March 31, 2016 and 2015.

9. Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over the estimated service lives, principally using straight-line methods. Leasehold improvements are amortized over the shorter of the life of the improvement or the lease term, using the straight-line method.

Depreciation expense was \$69 and \$61 for the three months ended March 31, 2016 and 2015, respectively.

10. Research and Development and Software Development Costs

Research and development expenses consist primarily of development personnel and non-employee contractor costs related to the development of new products and services, enhancement of existing products and services, quality assurance and testing. Effective April 2015, the Company began capitalizing its costs for additional functionality to its internal software. During the three months ended March 31, 2016, the Company capitalized approximately \$41. These software development costs include both enhancements and upgrades of our client based systems including functionality of our internal information systems to aid in our productivity, profitability and customer relationship management. The Company amortizes these costs over 5 years once the new projects are finished and placed in service. These costs are included in property and equipment, net on the consolidated balance sheets.

11. Basic and Diluted Loss per Common Share

Basic and diluted loss per common share for all periods presented is computed using the weighted average number of common shares outstanding. Basic weighted average shares outstanding include only outstanding common shares. Diluted net loss per common share is computed by dividing net loss by the weighted average common and potential dilutive common shares outstanding computed in accordance with the treasury stock method. Shares reserved for outstanding stock options and warrants totaling approximately 36.7 and 20.5 million at March 31, 2016 and 2015, respectively, were excluded from the computation of loss per share as well as the potential common shares issuable upon conversion of convertible preferred stock and convertible promissory notes their effect was antidilutive due to our net loss. Net loss attributable to common shareholders for the three months ended March 31, 2016 is after dividends on convertible preferred stock of \$112 and for the three month ended March 31, 2015 is after dividends on convertible preferred stock of \$79 and amortization of the beneficial conversion feature of \$34.

12. Deferred Income Taxes

The calculation of our income tax provision involves dealing with uncertainties in the application of complex tax regulations. We recognize tax liabilities for uncertain income tax positions based on management's estimate of whether it is more likely than not that additional taxes will be required. We had no uncertain tax positions as of March 31, 2016 and December 31, 2015.

Deferred income taxes are recognized in the financial statements for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates. Temporary differences arise from net operating losses, differences in basis of intangibles (other than goodwill), stock-based compensation, reserves for uncollectible accounts receivable and inventory, differences in depreciation methods, and accrued expenses. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

13. Accounting for Stock-Based Compensation

The Company accounts for stock-based compensation in accordance with ASC 718-10 that requires the measurement and recognition of compensation expense for all stock-based payments including warrants, stock options, restricted stock grants and stock bonuses based on estimated fair value. For purposes of determining estimated fair value under ASC 718-10-30, the Company computes the estimated fair values of stock options using the Black-Scholes option pricing model. Stock-based compensation expense to employees of \$72 and \$103 was charged to expense during the three months ended March 31, 2016 and 2015, respectively.

14. Goodwill and Indefinite-Lived Intangible Assets

We follow the provisions of ASC 350, *Goodwill and Other Intangible Assets*. Pursuant to ASC 350, goodwill acquired in a purchase business combination is not amortized, but instead tested for impairment at least annually. The Company uses a measurement date of September 30 (see Note 5), which was updated at December 31, 2015. No impairment expense was charged to expense during the three months ended March 31, 2016 and 2015.

15. Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Our significant estimates are the allowance for doubtful accounts, recognition of revenue under fixed price contracts, deferred tax assets, deferred revenue, depreciable lives and methods of property and equipment, valuation of warrants and other stock-based compensation and other assumptions and estimates used to evaluate the recoverability of long-lived assets, goodwill and other intangible assets and the related amortization methods and periods. Actual results could differ from those estimates.

16. Change in authorized shares

On May 13, 2016, the Company filed an Amended S-1 Registration Statement registering 20,268,956 shares of common stock. This will increase the outstanding shares to 84,493,816, once effective.

17. Recently Issued Accounting Pronouncements

In March 2016, the FASB issued ASU 2016-09, *Stock Compensation*, which simplifies several aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification on the statement of cash flows. The guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. We are currently evaluating the impact of adopting this guidance on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which amended guidance for lease arrangements in order to increase transparency and comparability by providing additional information to users of financial statements regarding an entity's leasing activities. The revised guidance seeks to achieve this objective by requiring reporting entities to recognize lease assets and lease liabilities on the balance sheet for substantially all lease arrangements. The guidance, which is required to be adopted in the first quarter of 2019, will be applied on a modified retrospective basis beginning with the earliest period presented. Early adoption is permitted. We are currently evaluating the impact of adopting this guidance on our consolidated financial statements.

In July 2015, FASB issued ASU 2015-11, *Inventory (Topic 330) Related to Simplifying the Measurement of Inventory* applies to all inventory except that which is measured using last-in, first-out (LIFO) or the retail inventory method. Inventory measured using first-in, first-out (FIFO) or average cost is included in the new amendments. Inventory within the scope of the new guidance should be measured at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal, and transportation. The amendments will take effect for public business entities for fiscal years beginning after December 15, 2016, including interim periods thereafter. The new guidance should be applied prospectively, and earlier application is permitted as of the beginning of an interim or annual reporting period. We are evaluating the impact of the standard on the consolidated financial statements.

On May 28, 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers* (Topic 606), with an effective date for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, for public business entities, certain not-for-profit entities, and certain employee benefit plans. The effective date for ASU 2014-09 was deferred by one year through the issuance of ASU 2015-14, *Revenue from Contracts with Customers – Deferral of the Effective Date*, to annual reporting periods beginning after December 15, 2017, including interim reporting periods within that reporting period. Earlier application is permitted only as of annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is evaluating the impact, if any, the pronouncement will have on both historical and future financial positions and results of operations.

18. Reclassifications

Certain reclassifications were made to the 2015 consolidated financial statements to conform to the 2016 presentation with no effect on net loss or shareholders' equity.

NOTE 3: ACQUISITIONS

Acquisition of ConeXus World Global

On October 15, 2015, we completed the acquisition of ConeXus World Global, LLC for 2,080,000 shares of Series A-1 Convertible Preferred Stock, and the conversion of \$823 of ConeXus World Global debt into (i) 2,639,258 shares of our common stock, and (ii) \$150 in principal amount of our convertible debt and warrant to purchase 267,857 shares of common stock.

The debtholders and members of ConeXus received a total of 1,664,000 shares of Series A-1 Convertible Preferred Stock, par value \$1.00, and 16,000,000 shares of our common stock, par value \$0.01. In accordance with the terms of the amendment to the agreement and plan of merger and reorganization, an additional 416,000 shares of Series A-1 Convertible Preferred Stock and 4,000,000 shares of common stock, collectively referred to as holdback shares, shall be issued immediately upon the reorganization of the capital structure of a Belgian affiliate of ConeXus, as discussed below.

The agreement and plan of merger and reorganization contemplates an ownership matter among the former ConeXus security holders involving an erroneously documented ownership situation related to its Belgian affiliate, with the resolution of such matter, including the reorganization of the Belgian affiliate, subject to the agreement of the Company. Effective February 8, 2016, the Company has extended the period from March 31, 2016 to June 30, 2016 for the ConeXus security holders to resolve such ownership matter, including the reorganization of the Belgian affiliate. The Company believes that the reorganization of the Belgian affiliate is not probable and as such no liability has been recorded for these additional shares, the consideration has not been included in the purchase price allocation and the financial results of the Belgian affiliate have not been included in the consolidated financial statements for the year ended December 31, 2015. The Belgian affiliate is not currently nor is it expected to be under the common control ownership or a variable interest entity of the Company as a result of this transaction. Notwithstanding the foregoing, Company is involved in discussions and the early stages of negotiations with the Belgian affiliate to pursue the potential acquisition of such affiliate in a separate transaction, independent of the ConeXus World Global, LLC Plan of Merger and Reorganization described herein.

The following is the preliminary estimate of the consideration transferred to effect the merger:

Issuance of common shares to ConeXus shareholders	\$	3,520
Issuance of preferred shares to ConeXus shareholders		1,664
Issuance of convertible promissory note with warrants		150
Total consideration	\$	<u>5,334</u>

The issuance of warrants represent the fair value of those warrants based on the Black-Scholes valuation model, using the CRI, Inc. share price on the merger date as an input.

The following assumptions were applied in determining the grant date fair value of the (for accounting purposes only) warrants awards:

Risk-free interest rate	1.71
Expected term	5.0 years
Expected price volatility	60.47%
Dividend yield	-

Our computation of expected volatility is based on historical volatility. The expected warrant term was the life of the warrant. The risk free interest rate of the award is based on the U.S. Treasury yield curve in effect at the time of the merger and having a term consistent with the expected term of the award.

Under the acquisition method of accounting, the total purchase price is allocated to the identifiable tangible and intangible assets of ConeXus World Global LLC acquired in the merger, based on their fair values at the merger date. The estimated fair values are based on the information that was available as of the merger date. We believe that the information provides a reasonable basis for estimating the fair values. The preliminary allocation of the purchase price has been allocated to assets acquired and liabilities assumed as follows:

Current assets	\$ 1,187
Property and equipment	47
Goodwill	3,994
Other intangible assets	1,750
Other assets	13
Total assets	<u>6,991</u>
Current liabilities	1,657
Total liabilities	<u>1,657</u>
Estimated purchase price	<u>\$ 5,334</u>

The estimated fair value of amortizable intangible assets of approximately \$1.8 million is amortized on a straight-line basis over the weighted average estimated useful life. The preliminary purchase price allocation to identifiable intangible assets and related amortization lives are as follows:

	<u>Amounts</u>	<u>Useful lives (years)</u>
Customer relationships	\$ 1,370	3
Trademark	380	5
Total	<u>\$ 1,750</u>	

The fair values of the customer relationship were estimated using a discounted present value income approach. Under the income approach, an intangible asset's fair value is equal to the present value of future economic benefits to be derived from ownership of the asset. Indications of value are developed by discounting future net cash flows to their present value at market-based rates of return. The useful life of the intangible assets for amortization purposes was determined considering the period of expected cash flows used to measure the fair value of the intangible assets adjusted as appropriate for the entity-specific factors including legal, regulatory, contractual, competitive, economic or other factors that may limit the useful life of intangible assets.

The goodwill recognized as a result of the merger is attributable primarily to the strategic and synergistic opportunities across the marketing technology spectrum, expected corporate synergies and the assembled workforce. The goodwill recognized is expected to be deductible for income tax purposes.

We incurred approximately \$0.2 million of acquisition-related costs that were expensed during the year ended December 31, 2015. These costs are included in selling, general and administrative costs in our consolidated statements of operations. No such costs were incurred for the three-months ended March 31, 2016.

The following unaudited pro forma consolidated financial results have been prepared for illustrative purposes only and do not purport to be indicative of the results of operations that actually would have resulted had the acquisitions of ConeXus (discussed above) and CRI (discussed below) occurred on the first day of the earliest period presented, or of future results of the consolidated entities. The unaudited pro forma condensed consolidated financial information does not reflect any operating efficiencies and cost savings that may be realized from the integration of the acquisition.

	<u>Three months ended March 31, 2015</u>
Supplemental pro forma combined results of operations:	
Net sales	\$ 2,181
Net loss	\$ (2,074)

The pro forma financial information includes amortization expense from the acquired assets and transaction costs assuming the merger occurred on January 1, 2015.

NOTE 4: FINANCING ARRANGEMENTS

Factoring 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, with recourse. The purchase price for receivables bought and sold under the Factoring Agreement is equal to their face amount less a 1.10% base discount. Added to the base discount is 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 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 \$37.5. The table below provides an analysis of the accounts receivables factored at March 31, 2016 and December 31, 2015.

	March 31, 2016	December 31, 2015
Accounts receivables assigned to factor	\$ 929	\$ 1,218
Advances from factor	(799)	(1,049)
Amounts due from factor	130	169
Unfactored accounts receivable	876	715
Total accounts receivable	\$ 1,006	\$ 884

NOTE 5: FAIR VALUE MEASUREMENT

We measure certain financial assets, including cash equivalents, at fair value on a recurring basis. In accordance with FASB ASC 820-10-30, fair value is a market-based measurement that should be determined based on the assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, FASB ASC 820-10-35 establishes a three-level hierarchy that prioritizes the inputs used in measuring fair value. The three hierarchy levels are defined as follows:

Level 1 — Valuations based on unadjusted quoted prices in active markets for identical assets.

Level 2 — Valuations based on observable inputs (other than Level 1 prices), such as quoted prices for similar assets at the measurement date; quoted prices in markets that are not active; or other inputs that are observable, either directly or indirectly.

Level 3 — Valuations based on inputs that are unobservable and involve management judgment and the reporting entity's own assumptions about market participants and pricing.

The following table presents information about the Company's warrant liabilities that are measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques the Company used to determine such fair value. See Note 12 for the inputs used for the probability weighted Black Scholes valuations when the warrants were issued and at March 31, 2016.

Description	Fair Value	Quote Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Warrant liabilities at December 31, 2015	\$ 1,649	-	-	\$ 1,649
Warrant liabilities at March 31, 2016	\$ 1,390	-	-	\$ 1,390

The change in level 3 fair value is as follows:

Warrant liability as of December 31, 2015	1,649
New warrant liabilities	20
Decrease in fair value of warrant liability	(279)
Ending warrant liability as of March 31, 2016	<u>\$ 1,390</u>

NOTE 6: OTHER FINANCIAL STATEMENT INFORMATION

The following table provides details of selected financial statement items:

Inventories

	March 31, 2016	December 31, 2015
Finished goods	\$ 59	\$ 69
Work-in-process	77	13
Total inventories	<u>\$ 136</u>	<u>\$ 82</u>

March 31,	
2016	2015

Supplemental Cash Flow Information

Non-cash Investing and Financing Activities

Noncash preferred stock dividends	\$ 112	\$ 113
Issuance of notes in exchange for accounts payable	\$ 288	-
Issuance of stock upon conversion of preferred stock	\$ 100	-

NOTE 7: GOODWILL AND OTHER INTANGIBLE ASSETS*Goodwill*

Changes in goodwill for the period from December 31, 2014 to March 31, 2016 are as follows:

Goodwill at December 31, 2014	\$ 10,572
Net adjustment to WRT purchase accounting September 30, 2015	(212)
Merger with ConeXus (Note 2)	3,994
Goodwill at March 31, 2016 and December 31, 2015	<u>\$ 14,354</u>

Other Intangible Assets

Other intangible assets consisted of the following at March 31, 2016 and December 31, 2015:

	<u>March 31,</u> <u>2016</u>		<u>December 31,</u> <u>2015</u>	
	<u>Gross</u> <u>Carrying</u> <u>Amount</u>	<u>Accumulated</u> <u>Amortization</u>	<u>Gross</u> <u>Carrying</u> <u>Amount</u>	<u>Accumulated</u> <u>Amortization</u>
Technology platform	\$ 4,190	\$ 1,844	\$ 4,190	\$ 1,598
Customer relationships	2,460	789	2,460	584
Trademarks and trade names	680	336	680	317
	7,330	<u>\$ 2,969</u>	7,330	<u>\$ 2,499</u>
Accumulated amortization		<u>2,969</u>		<u>2,499</u>
Net book value of amortizable intangible assets		<u>\$ 4,361</u>		<u>\$ 4,831</u>

For the three months March 31, 2016 and 2015, amortization of intangible assets charged to operations was \$470 and \$364, respectively.

The Company performed its annual goodwill impairment test at September 30, 2015 and determined there was no impairment of goodwill. This impaired test did not include ConeXus World Global, LLC as the acquisition did not occur until October 15, 2015. At year end, the Company updated its impairment analysis for goodwill and determined there was no impairment based on the projected future cash flows to be generated from the reporting unit. The Company's market capitalization could fluctuate in the future. As a result, it will continue to treat this data as an indicator of possible impairment if its market capitalization falls below its book value. If this situation occurs, it will perform the required detailed analysis to determine if there is impairment.

NOTE 8: LOANS PAYABLE

The outstanding Convertible Promissory Notes with detachable warrants, as applicable, are shown in the table below. Further discussion of the notes follows.

<u>Issuance Date</u>	<u>Original Principal</u>	<u>Maturity Date</u>	<u>Warrants</u>	
12/28/2015	\$ 150	4/15/2017	267,857	14% interest - 12% cash, 2% added to principal
12/28/2015	500	4/15/2017	892,857	14% interest - 12% cash, 2% added to principal
12/28/2015	600	4/15/2017	1,071,429	14% interest - 12% cash, 2% added to principal
10/26/2015	300	4/15/2017	535,714	14% interest - 12% cash, 2% added to principal
10/15/2015	150	4/15/2017	267,857	14% interest - 12% cash, 2% added to principal
10/15/2015	500	4/15/2017	892,857	14% interest - 12% cash, 2% added to principal
6/23/2015	400	4/15/2017	640,000	14% interest - 12% cash interest, 2% added to principal amount of debt
6/23/2015	119	4/15/2017	935,210	Refinanced May 20, 2015 debt, 14% interest - 12% cash, 2% added to principal
5/20/2015	465	4/15/2017	762,295	14% cash interest
	<u>\$ 3,184</u>		<u>6,266,076</u>	
Debt discount	(725)			
Additional principal	29			
Total long term debt	<u>\$ 2,488</u>			

Obligations under the secured convertible promissory notes are secured by a grant of collateral security in all of the tangible assets of the co-makers pursuant to the terms of an amended and restated security agreement.

March 2016

In March 2016, in connection with the Company's structured settlement program, we entered into 8.00% nonconvertible promissory notes with certain general unsecured creditors in the principal amount of \$289 to settle an aggregate amount of \$839 of accounts payable, accrued expenses and other liabilities. The principal of these nonconvertible promissory notes are recognized in loans payable and the remaining obligation continues to be recognized in accounts payable, accrued expenses and other liabilities, as applicable, in these condensed consolidated financial statements. If the Company defaults on these nonconvertible promissory notes, the original \$839 of the unpaid liability amount, less any payments through the date of default, would be immediately due and payable.

Payments on the nonconvertible promissory notes are to be made as follows. Accrued and unpaid interest under the Promissory Note, in arrears, monthly from and after the date of the note through and including December 31, 2016 on the 15th of the month. Thereafter, near-equal payments of accrued but unpaid interest (in arrears) and principal on a monthly basis on the 15th of the month from January 2017 through and including December 2018. On December 31, 2018, any remaining accrued and unpaid interest and remaining principal will be due and payable.

In March 2016, in connection with the Company's structured settlement program, we entered into agreements with certain convenience class and general unsecured creditors in the principal amount of \$36 to settle obligations of \$114, which is still recognized in accounts payable at March 31, 2016. Payments on the agreements are due in either three or four equal monthly payments. If the Company defaults on these agreements, the original unpaid liability amount of \$122, less payments through the date of default, would be due and payable.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Litigation

In February 2016, a former vendor alleging our failure to pay outstanding invoices for approximately \$335, which is included in accounts payable in the accompanying condensed consolidated balance sheets, initiated a breach-of-contract lawsuit against us in the Superior Court of New Jersey Law Division: Essex County. It is our objective that we reach a negotiated settlement with the vendor. At this time, we do not believe this matter individually is likely to have a material adverse impact on the Company.

NOTE 10: RELATED PARTY TRANSACTIONS

In connection with the ConeXus acquisition, the Company entered into a Securities Purchase Agreement with our CEO under which it offered and sold a secured \$150 14% interest convertible promissory note with an immediately exercisable five-year warrant to purchase up to 267,857 shares of the Company's common stock at a per-share price of \$0.28

In February 2015, the Company entered into an agreement with a related party investor to purchase 265,000 shares of convertible preferred stock with an immediately exercisable five-year warrant to purchase up to 331,250 shares of the Company's common stock at the as adjusted per-share price of \$0.37 for \$50.

In February 2015, the Company entered into an agreement with a related party investor to purchase 175,000 shares of convertible preferred stock with an immediately exercisable five-year warrant to purchase up to 262,500 shares of the Company's common stock at the as adjusted per-share price of \$0.37 in exchange for a previously outstanding convertible promissory note in the amount of \$175.

In May 2015, the Company entered into a Securities Purchase Agreement with a related party investor under which it offered and sold a secured \$465 14% interest convertible promissory note with a five-year warrant immediately exercisable to purchase up to 762,295 shares of common stock at a per-share price of \$0.30. This secured convertible promissory note together with accrued but unpaid interest and a 25% conversion premium was converted into a \$585 - 14% convertible promissory note, maturing on August 18, 2016, with new five-year warrants to purchase up to 935,210 shares of common stock at a price of \$0.30 per share, in a private placement exempt from registration under the Securities Act of 1933. The interest is payable 12% in cash and 2% as additional principal amount to the note. In connection with the offer and sale of the October 26, 2015 secured convertible promissory note, we entered into extension agreements with the holders of this secured convertible promissory to primarily extend the maturity date to April 15, 2017 in exchange for 109,688 shares of common stock valued at \$24. This change was accounted for as a modification of the debt. The \$24 is recognized as additional debt discount that will be amortized over the remaining life of the debt.

In July 2015, the Company obtained two 1% demand promissory notes in the amounts of \$0.1 million and \$0.05 million from related party investors. These notes are due within ten business days of the holder's written demand.

In December 2015, in connection with the offer and sale of the December 28, 2015 secured convertible promissory notes, the Company issued five-year warrants to purchase up to 1,750,000 shares of Creative Realities' common stock at a per share price of \$0.28 (subject to adjustment) in consideration of additional covenants and facilitating the financing.

NOTE 11: INCOME TAXES

Our deferred tax assets are primarily related to net federal and state operating loss carryforwards (NOLs). We have substantial NOLs that are limited in its usage by IRC Section 382. IRC Section 382 generally imposes an annual limitation on the amount of NOLs that may be used to offset taxable income when a corporation has undergone significant changes in stock ownership within a statutory testing period. We have performed a preliminary analysis of the annual NOL carryforwards and limitations that are available to be used against taxable income. The estimated NOL carryforward for federal purposes is \$18.1 million and foreign NOL carryforward is \$5.2 million as of March 31, 2016. Based on the losses of the Company, there continues to be a full valuation allowance against the net deferred tax assets of the Company.

For the three months ended March 31, 2016, we reported a deferred tax expense of \$63 resulting from the goodwill on the acquisition of Wireless Ronin Technologies. This goodwill has an indefinite life and does not constitute a source of future taxable income as governed by ASC 740-10-30-18. As such, the deferred tax liability related to this indefinite lived asset cannot be used to offset deferred tax assets when determining the valuation allowance against deferred tax assets that are less likely than not to be realized in the future.

NOTE 12: CONVERTIBLE PREFERRED STOCK AND WARRANTS

January 2016

On January 15, 2016, the Company issued a warrant to purchase 250,000 shares of the Company's common stock at the per share price of \$0.28 (subject to adjustment) in exchange for services rendered related to the issuance of debt on December 28, 2015. The fair value of the warrants on the issuance date was \$20. The warrants were recorded as a liability and a discount to the debt issued and will be amortized over the life of the debt.

Listed below are the range of inputs used for the probability weighted Black Scholes option pricing model valuations when the warrants were issued and at March 31, 2016.

Date	Expected Term at December 31, 2015	Risk Free Interest Rate at Date of Issuance	Volatility at Date of Issuance	Stock Price at Date of Issuance
Issued 8/20/2014	5.00	1.50%	96.00%	\$ 0.63
Issued 2/13/2015	5.00	1.28%	100.00%	\$ 0.34
Issued 5/22/2015	5.00	1.28%	107.58%	\$ 0.29
Issued 10/15/2015	5.00	1.71%	58.48%	\$ 0.22
Issued 10/26/2015	5.00	1.71%	60.47%	\$ 0.21
Issued 12/21/2015	5.00	1.75%	58.48%	\$ 0.21
Issued 12/28/2015	5.00	1.75%	58.48%	\$ 0.16
Issued 1/15/2016	5.00	1.76%	58.48%	\$ 0.17
	Expected Term at March 31, 2016	Risk Free Interest Rate at March 31, 2016	Volatility at March 31, 2016	Stock Price at March 31, 2016
	3.39-4.75	0.87-1.21%	56.67%	\$ 0.23

A summary of outstanding debt and equity warrants is included below:

Warrants (Equity)	Weighted	Warrants (Liability)	Weighted
-------------------	----------	----------------------	----------

	Amount	Weighted Average Exercise Price	Average Remaining Contractual Life	Amount	Weighted Average Exercise Price	Average Remaining Contractual Life
Balance, January 1, 2016	6,165,786	0.33	4.04	13,787,241	0.33	4.23
Warrants issued to financial advisors	-	-	-	250,000	0.28	4.80
Balance March 31, 2016	6,165,786	0.33	3.79	14,037,241	0.33	3.99

NOTE 13: STOCKHOLDERS' EQUITY

During March 2016, the Company entered into agreements to issue 409,347 shares of its common stock in exchange for outstanding accounts payable of \$163. On May 4, 2016, upon final approval of the agreements, the stock was issued. The Company recognized a gain on debt extinguishment of \$78 on the date the stock was issued.

A summary of outstanding options is included below:

Range of Exercise Prices between	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$0.19 - \$0.45	7,658,536	9.13	\$ 0.30	1,358,537	\$ 0.30
\$0.46 - \$0.79	30,000	7.79	0.79	30,000	\$ 0.79
\$0.80 - \$12.25	15,500	6.34	3.73	15,500	\$ 3.73
	<u>7,704,036</u>	<u>6.44</u>	<u>\$ 0.27</u>		

	Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2015	7,898,578	\$ 0.33
Granted	-	-
Exercised	-	-
Forfeited or expired	(194,542)	0.96
Balance, March 31, 2016	<u>7,704,036</u>	<u>\$ 0.31</u>

The weighted average remaining contractual life for options exercisable is 9.12 years as of March 31, 2016.

NOTE 14: STOCK-BASED COMPENSATION**Stock Compensation Expense Information**

FASB ASC 718-10, *Stock Compensation*, requires measurement and recognition of compensation expense for all stock-based payments including warrants, stock options, restricted stock grants and stock bonuses based on estimated fair values. Under the Amended and Restated 2006 Equity Incentive Plan, the Company reserved 1,720,000 shares for purchase by the Company's employees and under the Amended and Restated 2006 Non-Employee Director Stock Option Plan the Company reserved 700,000 shares for purchase by the Company's employees. There are 365,500 options outstanding under the 2006 Equity Incentive Plan. In October 2014, the Company's shareholders approved the 2014 Stock Incentive Plan, under which 7,390,355 shares were reserved for purchase by the Company's employees. There are 7,338,536 options outstanding under the 2014 Stock Incentive Plan.

Compensation expense recognized for the issuance of stock options for the three months ended March 31, 2016 and 2015 was as follows:

	March 31,	
	2016	2015
Stock-based compensation costs included in:		
Cost of sales	\$ -	\$ -
Sales and marketing expenses	19	2
General and administrative expenses	53	101
Total stock-based compensation expenses	<u>\$ 72</u>	<u>\$ 103</u>

At March 31, 2016, there was approximately \$895 of total unrecognized compensation expense related to unvested share-based awards. Generally, this expense will be recognized over the next 3.4 years and will be adjusted for any future changes in estimated forfeitures.

Stock-based compensation expense is based on awards ultimately expected to vest and is reduced for estimated forfeitures. FASB 718-10-55 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. The Company applied a pre-vesting forfeiture rate of 10% based on upon actual historical experience for employee option awards of the registrant.

Our CEO was awarded 4,951,557 performance shares with a grant date to be determined upon certain conditions being satisfied.

NOTE 15: SEGMENT INFORMATION AND SIGNIFICANT CUSTOMERS

Segment Information

We currently operate in one reportable segment, marketing technology solutions. Substantially all property and equipment is located at our offices in the United States, and a data center located in the United States. All sales for the three months ended March 31, 2016 and 2015 were in the United States and Canada.

Major Customers

We had 2 and 3 customers that accounted for 44% and 53% of accounts receivable as of March 31, 2016 and December 31, 2015, respectively. In 2015, we were no longer doing business with our largest customer that accounted for 16% of 2015 sales. We do not believe the loss of this customer will have a material adverse effect on our business.

The Company had 4 and 3 customers that accounted for 63% and 58% of revenue for the three months and the year ended March 31, 2016 and December 31, 2015, respectively.

NOTE 16: SUBSEQUENT EVENTS

On April 14, 2016, the Company offered and sold to certain accredited investors, or “Investors,” secured promissory notes in the aggregate principal amount of \$500,000 and five-year warrants to purchase up to 892,857 shares of Creative Realities’ common stock at a per-share price of \$0.28 (subject to adjustment), all pursuant to a Securities Purchase Agreement. Our 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 notes. Obligations under the secured convertible promissory notes are secured by a grant of collateral security in all of the tangible assets of the co-makers pursuant to the terms of an Amended and Restated Security Agreement.

The secured promissory notes bear interest at the annual rate of 14% (12% payable in cash and 2% payable in the form of additional principal) with an initial maturity date of April 15, 2017, which may be extended at the sole discretion of the Investor to October 15, 2017. At any time prior to the maturity date, the Investors may convert the outstanding principal and accrued and unpaid interest into Creative Realities’ common stock at a conversion price currently equal to \$0.28 per-share (subject to adjustment).

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations Forward-Looking Statements

The following discussion contains various forward-looking statements within the meaning of Section 21E of the Exchange Act. Although we believe that, in making any such statement, our expectations are based on reasonable assumptions, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. When used in the following discussion, the words “anticipates,” “believes,” “expects,” “intends,” “plans,” “estimates” and similar expressions, as they relate to us or our management, are intended to identify such forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from those anticipated. Factors that could cause actual results to differ materially from those anticipated, certain of which are beyond our control, are set forth under the caption “Risk Factors,” in the Company’s Form 10-K for the year ended December 31, 2015 as filed with the Securities and Exchange Commission on April 4, 2016.

Our actual results, performance or achievements could differ materially from those expressed in, or implied by, forward-looking statements. Accordingly, we cannot be certain that any of the events anticipated by forward-looking statements will occur or, if any of them do occur, what impact they will have on us. We caution you to keep in mind the cautions and risks described in this document and to refrain from attributing undue certainty to any forward-looking statements, which speak only as of the date of the document in which they appear. We do not undertake to update any forward-looking statement.

Overview

Creative Realities, Inc. is a Minnesota corporation that provides innovative digital marketing technology solutions to retailers, brand marketers, venue-operators, enterprises, non-profits and other organizations throughout the United States and a growing number of international markets. Our technology and solutions include: digital merchandising systems, interactive digital shopping assistants and kiosks, mobile digital marketing platforms, digital way-finding platforms, digital menu board systems, dynamic signage, and other digital marketing technologies. We enable our clients’ engagement with consumers by using combinations of our technology and solutions that interact with mobile, social media, point-of-sale, wireless networks and web-based platforms. We have expertise in a broad range of existing and emerging digital marketing technologies, as well as the following related aspects of our business: content, network management, and connected device software and firmware platforms; customized software service layers; hardware platforms; digital media workflows; and proprietary processes and automation tools. We believe we are one of the world’s leading digital marketing technology companies focused on helping retailers and brands use the latest technologies to create better shopping experiences.

Our main operations are conducted directly through Creative Realities, Inc. and under our wholly owned subsidiaries Creative Realities, LLC, a Delaware limited liability company, Wireless Ronin Technologies Canada, Inc., a Canadian corporation, and ConeXus World Global, LLC, a Kentucky limited liability company.

We generate revenue in this business by:

- consulting with our customers to determine the technologies and solutions required to achieve their specific goals, strategies and objectives;
- designing our customers’ digital marketing experiences, content and interfaces;
- engineering the systems architecture delivering the digital marketing experiences we design – both software and hardware – and integrating those systems into a customized, reliable and effective digital marketing experience;
- managing the efficient, timely and cost-effective deployment of our digital marketing technology solutions for our customers;
- delivering and updating the content of our digital marketing technology solutions using a suite of advanced media, content and network management software products; and
- maintaining our customers’ digital marketing technology solutions by: providing content production and related services; creating additional software-based features and functionality; hosting the solutions; monitoring solution service levels; and responding to and/or managing remote or onsite field service maintenance, troubleshooting and support calls.

These activities generate revenue through: bundled-solution sales; service fees for consulting, experience design, content development and production, software development, engineering, implementation, and field services; software license fees; and maintenance and support services related to our software, managed systems and solutions.

Our Sources of Revenue

We generate revenue through digital marketing solution sales, which include system hardware, professional and implementation services, software design and development, software licensing, deployment, and maintenance and support services.

We currently market and sell our technology and solutions primarily through our sales and business development personnel, but we also utilize agents, strategic partners, and lead generators who provide us with access to additional sales, business development and licensing opportunities.

Our Expenses

Our expenses are primarily comprised of three categories: sales and marketing, research and development, and general and administrative. Sales and marketing expenses include salaries and benefits for our sales, business development solution management and marketing personnel, and commissions paid on sales. This category also includes amounts spent on marketing networking events, promotional materials, hardware and software to prospective new customers, including those expenses incurred in trade shows and product demonstrations, and other related expenses. Our research and development expenses represent the salaries and benefits of those individuals who develop and maintain our proprietary software platforms and other software applications we design and sell to our customers. Our general and administrative expenses consist of corporate overhead, including administrative salaries, real property lease payments, salaries and benefits for our corporate officers and other expenses such as legal and accounting fees.

Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in Note 2 of the Company's consolidated financial statements included elsewhere in this filing. The Company's consolidated financial statements are prepared in conformity with accounting principles generally accepted in the United States. Certain accounting policies involve significant judgments, assumptions, and estimates by management that could have a material impact on the carrying value of certain assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Results of Operations

Note: All dollar amounts reported in Results of Operations are in thousands, except per-share information.

Three Months Ended March 31, 2016 Compared to Three Months Ended March 31, 2015

The tables presented below compare our results of operations from one period to another, and present the results for each period and the change in those results from one period to another in both dollars and percentage change.

Our consolidated comparisons include certain historical data, transaction entries, journal entries, and chart of account classifications that are not uniformly consistent across Creative Realities, Inc. and ConeXus World Global, LLC. As a result, certain assessments and qualitative descriptions related to our consolidated results cannot be compared directly, and may not fully or accurately reflect actual changes in the specific statement of operations line-item category or subcategory at this time.

For the three months ended March 31, 2015, the financial results of ConeXus is not included as the acquisition date was October 15, 2015. As a result of this merger, the results of operations may not be entirely comparable and the variances are explained in more detail in the analysis below.

The columns present the following:

- The first two data columns in the table show the dollar results for each period presented.
- The column entitled “Dollars” show the change in results, in dollars. The column entitled “%” show the change in percentages.

	For the three months ended		Change	
	March 31,		Dollars	%
	2016	2015		
Sales	\$ 2,435	\$ 2,126	\$ 309	15%
Cost of sales (exclusive of depreciation and amortization shown separately below)	1,290	1,649	(359)	-22%
Gross profit	1,145	477	668	140%
Sales and marketing expenses	240	326	(86)	-26%
Research and development expenses	246	231	15	6%
General and administrative expenses	1,717	2,100	(383)	-18%
Depreciation and amortization expense	539	425	114	27%
Total operating expenses	2,742	3,082	(340)	-11%
Operating loss	(1,597)	(2,605)	1,008	-39%
Other income (expenses):				
Interest expense	(397)	(63)	(334)	530%
Other income/(expense)	12	(10)	22	-220%
Change in fair value of warrant liability	279	745	(466)	-63%
Total other expense	(106)	672	(778)	-116%
Net loss before income taxes	(1,703)	(1,933)	230	-12%
Provision for income taxes	(63)	-	(63)	100%
Net loss	\$ (1,766)	\$ (1,933)	\$ 167	-9%

Sales

Sales increased by \$309 or 15% in 2016 compared to 2015. This increase was primarily due to three factors. Beginning in approximately April 2015 the Company initiated a significant realignment and reorganization of the Company's sales account management, and business development personnel, which resulted in a significantly reduced sales pipeline, and a reduction in July - December customer sales generally. The Company also terminated a customer relationship in August, 2015 in connection with the same initiative, resulting in a reduction of sales for the quarter ended March 31, 2016 compared to the quarter ended March 31, 2015. These decreases were offset by \$1.6 million of additional revenue from ConeXus, who we merged with on October 15, 2015.

Gross Profit

Gross profit margin on a percentage basis increased to 47% in 2016 from 22% in 2015, and increased by \$668 in absolute dollars during the same period. The increase in gross profit margin and increase in absolute dollars are the result of the acquisition of ConeXus, the improved mix of higher margin services, a reduction of traditionally lower margin hardware sales as a percentage of total sales, as well the winding down, termination or renewal of certain customer relationships with modified business terms as a result of its business realignment, integration and restructuring initiative.

Sales and Marketing Expenses

Sales and marketing expenses generally include the salaries, taxes, and benefits of our sales and marketing personnel, as well as trade show activities, travel, and other related sales and marketing costs. Total sales and marketing expenses decreased 26% to \$240 in 2016 from \$326 in 2015. The decrease is primarily due to a decrease in marketing and related trade show expenses.

Research and Development Expenses

Research and development expenses increased to \$246 in 2016 compared to \$231 in 2015. The increase is attributable to the payroll related expenses of our software development personnel and consultants responsible for maintaining, supporting and enhancing our proprietary content management system platforms.

General and Administrative Expenses

Total general and administrative expenses decreased 18% or \$(383) to \$1,717 in 2016 from \$2,100 in 2015. The decreases were primarily due to a decrease in facilities costs of \$55 due to the closings of its offices in New York and Minnesota in the 3rd quarter of 2015 and a decrease in salary expense of \$76.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased 27% to \$539 in 2016 from \$425 in 2015 primarily due to the amortization of intangible assets acquired in the ConeXus merger transaction.

Liquidity and Capital Resources

We incurred net losses and negative cash flows from operating activities for the three months ended March 31, 2016. At March 31, 2016, we had cash and cash equivalents of \$339 and a working capital deficit of \$(5,391). Cash used in operating activities for the three months ended March 31, 2016 was \$(965). These factors raise substantial doubt about our ability to continue as a going concern. Management believes that, despite its losses to date and while we can provide no assurance that our ongoing integration efforts will be successful, the operations of the combined Company resulting from the completed acquisitions and related restructuring actions will provide greater sales, margin, scale and operating efficiencies, all of which we believe will ultimately lead to operating profitability and positive cash flows from operations.

See Note 8 to the Condensed Consolidated Financial Statements for a discussion of the Company's debt obligations.

Operating Activities

We do not currently generate positive cash flow. Our operational costs have been greater than sales generated to date. As of March 31, 2016, we had an accumulated deficit of \$(16,380). The cash flow used in operating activities was \$(965) and \$(1,309) for the three month ended March 31, 2016 and 2015, respectively. The majority of the cash consumed by operations for both periods was attributed to our net losses of \$(1,766) and \$(1,933) for the three months ended March 31, 2016 and 2015, respectively. Included in our net losses were non-cash charges consisting of depreciation, and amortization of warrants related to convertible preferred stock / issued for debt-issuance costs, change in warrant liability, stock-based compensation and changes in the allowance for doubtful accounts totaling \$516 and \$(71) for the three months ended March 31, 2016 and 2015, respectively.

Investing Activities

Net cash used in investing activities during the three months ended March 31, 2016 was \$(57) compared to \$(29) during 2015. The increase in cash used in investing activities is primarily related to the capitalization of software costs. We currently do not have any material commitments for capital expenditures as of March 31, 2016, nor do we anticipate any significant expenditures in 2016.

Financing Activities

Net cash provided by financing activities during the three months ended March 31, 2016 was \$0 compared to \$1,238 in 2015.

Contractual Obligations

We have no material commitments for capital expenditures, and we do not anticipate any significant capital expenditures for the remainder of 2016.

Off-Balance Sheet Arrangements

During the three months ended March 31, 2015, we did not engage in any off-balance sheet arrangements set forth in Item 303(a) (4) of Regulation S-K.

Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA)

	For the three months ended		Change	
	2016	2015	Dollars	%
Net loss before income taxes	(1,703)	(1,933)	230	-12%
Provision for income taxes	(63)	-	(63)	100%
Net loss	<u>\$ (1,766)</u>	<u>\$ (1,933)</u>	<u>\$ 167</u>	<u>-9%</u>
Add back:				
Provision for income taxes	63	-	63	100%
Interest expense	397	63	334	530%
Depreciation and amortization expense	539	425	114	27%
EBITDA	<u>\$ (767)</u>	<u>\$ (1,445)</u>	<u>\$ 678</u>	<u>-47%</u>

EBITDA loss decreased by \$678 or 47% for the three months ended March 31, 2016 compared to the same period in 2015, which includes a reduction in the Company's operating loss, adjusted for depreciation and amortization, by \$1,122 or 51%. These decreases are primarily the result of the ConeXus acquisition and the Company's ongoing business realignment, integration and restructuring actions [or "Actions"] summarized below.

Business Realignment, Integration, and Restructuring

We believe Creative Realities, Inc. is uniquely positioned to achieve the following objectives: (i) become a global leader in helping our clients manage their digital assets and improve their shopping experiences; (ii) achieve, maintain and subsequently increase operating profitability given the ongoing business realignment, integration and restructuring summarized herein; and (iii) serve as a platform for industry consolidation by selectively acquiring, realigning and integrating other companies in our industry sector.

The EBITDA table and the following information is provided to permit investors and other stakeholders to more fully understand how management measures and evaluates our ongoing operating performance and progress towards achieving our objectives. We believe this information, the EBITDA table presented above, and the future reporting of such EBITDA financial measures in our quarterly Form 10-Q Reports are important in evaluating the cumulative progress and financial impacts of the realignment, integration and restructuring *Actions* summarized below; our operating performance on a consistent basis, independent from our consolidated GAAP financial results which contain a series of non-cash and other amounts and adjustments not directly applicable to the operating performance of our core business, and the effectiveness of our budgeting and planning processes, personnel and other investments, resource allocation and management, and other matters.

Background

We began the planning processes for the anticipated closing of the August 2014 Creative Realities merger transactions in June 2014, as addressed in the Company's 10-K filed with the SEC on April 4, 2016, and for the anticipated closing of the ConeXus acquisition in August 2015. These planning processes have included reviews of some or all of our: existing client relationships and agreements; sales and account management practices; software, service and product pricing; portfolio of product and solution offerings; technology platforms; operating processes, practices and procedures; information systems; management reporting; leadership and management teams; personnel; contractors and vendors; facilities; and other matters. These reviews have resulted in our initiating the actions listed below.

Our primary objective in undertaking these actions was to realign, integrate and restructure our operations on an ongoing basis to achieve operating profitability, and ultimately achieve and maintain positive cash flows from operations as soon as practicable.

Actions

We have initiated each of the actions set forth below, among others. Each action is designed to improve the efficiency of our operations, increase our revenues, and reduce our cost structure. Each action is ongoing and subject to continuous review and improvement.

- Realigning and reorganizing our sales, account management, and business development personnel, priorities, and operating practices;
- Reviewing the project and service profitability of existing client relationships (e.g., pricing, agreements, service commitments, resources consumed) and winding down, terminating or renewing certain client relationships with modified business terms;
- Terminating, replacing, and/or insourcing, certain vendors, contractors and consultants;
- Relocating, consolidating, and then making our network operations center geographically redundant, while improving role definition and changing service and installation practices and procedures;
- Implementing an initiative at the management level designed to identify and execute upon a series of tasks and activities targeting operational improvements, cost reductions, and revenue enhancements;
- Overhauling certain of the Company's client-facing master agreements to become more client-centric; support the Company's comprehensive and unique offering of services, software and products; and strengthen certain protections and rights of the Company;
- Implementing and enforcing certain unified practices across the consolidated Company, including: project management; service dispatch; help desk and Level 2-3 support; proposal development; billing; accounting; client-facing service agreement; and various administrative matters;
- Consolidating and optimizing our facilities footprint, and related personnel and operations, including subletting portions of certain facilities, and subletting or terminating leases for entire locations;
- Restructuring our workforce and reducing our monthly payroll expense;
- Optimizing the size, roles and responsibilities, reporting structures, total payroll and incentive compensation related to our leadership team across the realigned, integrated and restructured Company;
- Enhancing the features, capabilities, functionality, service and presentation layers, tools, and performance of our existing content and network management systems to support the evolving needs and requirements of our clients;
- Upgrading or discontinuing certain versions our content and network management systems and system components in production, reducing overall development and future support costs;
- Improving the training, documentation, operational expertise and knowledgebase of our employees responsible for client implementations and solutions involving third party content and network management software provided by our channel partners or required by our clients;
- Upgrading, modifying and adapting our enterprise resource planning/customer relationship management (ERP/CRM) information system to our new organization, processes, service model, and management reporting needs;
- Upgrading and improving the integration of our accounting system with our ERP/CRM system, and related processes; and
- Transforming the culture and personnel from that of the stand-alone predecessor companies to one focused much more on being client-centric, profitable, and accountable to our clients, our co-workers, and ultimately our shareholders.

We plan to continue to execute upon the actions summarized above, and initiate additional actions in connection with our existing operations, the acquisitions referenced in this Report, and potential additional acquisitions in the future.

The aggregate cumulative effect of the foregoing actions has established a new fixed cost base and level of operating efficiency at the consolidated Company.

Structured Settlements

In January 2016, in light of the Company's outstanding accounts payable and accrued expense liabilities due to its unsecured historical creditors, and long-term contractual commitments due to other historical creditors, we initiated a comprehensive program to enter into negotiated settlements with all of our historical creditors. This comprehensive program broadly involves: (i) working with outside counsel to advise us in a comprehensive structured settlement program; (ii) engaging with a group of our largest historical unsecured creditors and certain other creditors to agree upon a set of structured settlement alternatives, and related payment plans, to propose to all of our historical creditors, and; (iii) engaging with all of our historical unsecured creditors to enter into structured settlement agreements consistent with the agreed upon alternatives.

While our objective is to enter into negotiated settlements with all of our historical creditors, we are still actively pursuing settlements with certain of our historical creditors. As of the date of this Report, we have entered into fully executed structured settlement agreements that, subject to the Company fulfilling its obligations under such agreements, will result in debt forgiveness of \$1,220 by such historical creditors.

Our cash and cash equivalents balances as of the date of this report and potential financing needs in 2016 reflect a number of factors, including: the completed and ongoing realignment, integration and restructuring actions noted herein, among others; a series of one-time transaction costs associated with the merger transactions described herein; our ongoing ability to continue to effectively manage and optimize our expenses, fixed cost base and working capital needs associated with funding and supporting several projects in a rapidly evolving industry; effectively managing and converting our sales pipeline to increase profitable nonrecurring and recurring revenue; and mitigate the risk and tendency for the timing of certain converted business opportunities to shift throughout the year and subsequently affect our forecasting and working capital needs.

Management believes that, despite its losses to date and while we can provide no assurance that our ongoing business realignment, integration and restructuring efforts will be successful, the operations of the combined Company resulting from the completed acquisitions and related restructuring actions will provide greater sales, margins, scale and operating efficiencies, all of which we believe will ultimately lead to operating profitability and positive cash flows from operations. We have certain payment plans and settlements in place with certain vendors. We expect that our future available capital resources will consist primarily of cash on hand, any cash generated from our business operations and future equity and/or debt financings or support, if any, to support our growth objectives, ongoing working capital needs, and 2016 business plan. Our capital requirements depend on many factors, including our ability to successfully address our short-term liquidity and capital resource needs, market and sell our products and services, develop new products and services and establish and leverage our strategic partnerships. Any additional equity financings may be dilutive to shareholders and may be completed at a discount to market price. Public or private debt financing, if available, would likely involve restrictive covenants similar to or more restrictive than those contained in the Series A Convertible Preferred Stock Offering from February 2015. There can be no assurance we will successfully complete any future equity or debt financing.

Disruptions in the economy and constraints in the credit markets have caused companies to reduce or delay capital investment. Some of our prospective customers may cancel or delay spending on the development or rollout of capital and technology projects with us due to continuing economic uncertainty. Difficult economic conditions have adversely affected certain industries in particular, including the retail, automotive, and restaurant industries, in which we have major customers. We could also experience lower than anticipated order levels from current customers, cancellations of existing but unfulfilled orders, and extended payment or delivery terms. Economic conditions could also materially impact us through insolvency of our suppliers or current customers.

Our capital requirements depend on many factors, including our ability to successfully address our short-term liquidity and capital resource needs, market and sell our products and services, develop new products and services and establish and leverage our strategic partnerships. In order to meet our needs, we will likely be required to raise additional funding through public or private financings, including equity financings. Any additional equity financings may be dilutive to shareholders and may be completed at a discount to market price. Debt financing, if available, would likely involve restrictive covenants. There can be no assurance we will successfully complete any future equity or debt financing.

Management continues to seek financing on favorable terms. Nevertheless, there can be no assurance that any such financing can be obtained on favorable terms, if at all.

Our future depends upon our ability to create profitable business operations and obtain additional financing as required. If we are unable to generate sufficient revenue, adjust our operating expenses so as to maintain positive working capital, or find financing, then we will be forced to cease operations and investors will lose their entire investment.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain a system of disclosure controls and procedures that is designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, as appropriate, to allow timely decisions regarding required disclosures. Disclosure controls and procedures also include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, or persons performing similar functions, and Board of Directors, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer, Chief Financial Officer and VP, Corporate Controller, we conducted an evaluation of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)). Based on this evaluation, we concluded as of March 31, 2016 that our disclosure controls and procedures were not effective at the reasonable assurance level due to the material weaknesses described below.

Management's Report on Internal Control Over Financial Reporting

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Due to the Company's acquisition in 2015 of ConeXus, the Company excluded this entity (representing 4% of total assets and 55% of total sales at March 31, 2016) from the scope of our assessment of the effectiveness of the internal controls over financial reporting of the Company.

The Company identified that, while certain improvements did occur in the Company's internal control over financial reporting for the three months ended March 31, 2016, internal control over financial reporting was not effective as of March 31, 2016 and that material weaknesses exist including: a deficient process to close the monthly consolidated financial statements and prepare comprehensive and timely account analysis, and adequately document cost estimates in support of revenue recognition under percentage of completion. In addition, Creative Realities, Inc. currently does not have an independent financial expert on its Board of Directors.

A material weakness is a control deficiency (within the meaning of Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 5) or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Management has already implemented certain practices and procedures during 2016 to address the foregoing material weaknesses, plans to expand the scope of its assessment of the effectiveness of its internal controls over financial reporting at the consolidated Company in 2016, and develop a plan to complete the remediation of the foregoing deficiencies.

In completing its assessment of internal control over financial reporting, management has used and anticipates to continue using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control—2013 Integrated Framework.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2016, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 5.

On May 2, 2016, Eric Bertrand was appointed to the Board of Directors of Creative Realities, Inc. Mr. Bertrand possesses voting and investment power over shares beneficially held by Lincoln Road Media Partners LLC, which is the holder of a convertible promissory note and warrant issued in a private placement transaction on April 14, 2016. See note 16 to the Condensed Consolidated Financial Statements for additional information. Mr. Bertrand was appointed to the board in connection with Lincoln Road Media's investment in the convertible note and warrant.

EXHIBIT INDEX

Exhibit No.	Description
10.19	Warrant dated January 15, 2016, issued in favor of Robert Fisk (filed herewith)
10.20	Warrant dated January 15, 2016, issued in favor of James Allsopp (filed herewith)
10.21	Warrant dated January 15, 2016, issued in favor of Merriman Capital, Inc. (filed herewith)
31.1	Chief Executive Officer Certification pursuant to Exchange Act Rule 13a-14(a). (filed herewith)
31.2	Chief Financial Officer Certification pursuant to Exchange Act Rule 13a-14(a). (filed herewith)
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350. (furnished herewith)
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350. (furnished herewith)
101.INS	XBRL Instance Document (filed herewith)
101.SCH	XBRL Taxonomy Extension Schema (filed herewith)
101.CAL	XBRL Taxonomy Extension Calculation Linkbase (filed herewith)
101.DEF	XBRL Taxonomy Extension Definition Linkbase (filed herewith)
101.LAB	XBRL Taxonomy Extension Label Linkbase (filed herewith)
101.PRE	XBRL Taxonomy Extension Presentation Linkbase (filed herewith)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on May 13, 2016.

Creative Realities, Inc.

By /s/ John Walpuck

John Walpuck
Chief Financial Officer and
Chief Operating Officer

By /s/ Richard Mills

Richard Mills
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 AGREES TO NOT SELL OR OTHERWISE DISPOSE OF THIS WARRANT OR THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT WITHOUT REGISTRATION OR THE APPLICABILITY OF 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: 115,000

Date of Issuance: January 15, 2016 (“Issuance Date”)

THIS CERTIFIES THAT, for value received, Robert Fisk, an individual (including any permitted and registered assigns, the “Holder”), is entitled to purchase from Creative Realities, Inc., a Minnesota corporation (the “Company”), up to 115,000 shares of Common Stock of the Company (the “Warrant Shares”) at the Exercise Price hereunder then in effect. This Warrant to Purchase Common Stock (this “Warrant”) is issued by the Company in lieu of additional extensions to past due payments due to Holder, and a modified payment plan related to current payments due to Holder. For purposes of this Warrant, the term “Exercise Price” shall mean \$0.28 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, including but not limited to the provisions of Section 1(c) below, 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 (the “Warrant Share Delivery Date”) 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 (or work with the Holder to initiate an electronic delivery of Common Stock through the DWAC system of the Depository Trust Company, if requested). 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. If this Warrant is submitted in connection with any exercise pursuant to Section 1(c) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable, and in no event later than three business days after any exercise and at its own expense, issue a new Warrant representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised.

(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.

(c) *Cashless Exercise* . The Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the “Net Number” of shares of Common Stock determined according to the following formula (a “Cashless Exercise”):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A = the total number of shares with respect to which this Warrant is then being exercised.

B = the Weighted Average Price of the shares of Common Stock for the five consecutive Trading Days ending on the date immediately preceding the date of the Exercise Notice.

C = the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

(d) *Compensation for Buy-In on Failure to Timely Deliver Warrant Shares* . In addition to any other rights available to the Holder, if the Company fails to deliver (or cause its transfer agent to deliver) to the Holder the Warrant Shares pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open-market transaction or otherwise), or the Holder’s brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a “Buy-In”), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder’s total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue, times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of \$10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amount payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder’s right to pursue any other remedies available to it hereunder, at law or in equity, including without limitation a decree of specific performance or other injunctive relief with respect to the Company’s failure to timely deliver shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

(e) *Beneficial Ownership Restrictions* . Notwithstanding anything to the contrary in this Warrant, the Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, to the extent that, after giving effect to the exercise set forth on the applicable Exercise Notice, such Holder (together with such Holder's "affiliates," as such term is defined in Rule 405 under the Securities Act of 1933, and any Persons acting as a group together with such Holder or any of such Holder's affiliates) would beneficially own in excess of the Beneficial Ownership Limitation, as defined below. For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (i) conversion of the remaining unexercised portion of this Warrant beneficially owned by such Holder or any of its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company that are subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by such Holder or any of its affiliates. Except as set forth in the preceding sentence, for purposes of this Section, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). To ensure compliance with this restriction, each Holder will be deemed to represent to the Company each time it delivers an Exercise Notice that such Exercise Notice has not violated the restrictions set forth in this Section 1(e) and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act.

For purposes of this Section 1(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Company's most recent periodic or annual report filed with the U.S. Securities and Exchange Commission, as the case may be, (ii) a more recent public announcement by the Company, or (iii) a more recent written notice by the Company or its transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm to such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by such Holder or its affiliates. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. Upon no fewer than 61 days' prior notice to the Company, a Holder may increase or decrease the Beneficial Ownership Limitation provisions of this paragraph, provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this paragraph shall continue to apply. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Company and shall only apply to such Holder and no other Holder. The limitations contained in this paragraph shall apply to a successor Holder of this Warrant.

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(a) or (b) 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 shareholder 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 not granted to the shareholders of the Company as a whole, or (ii) the issuance of Common Stock, stock options, stock-appreciation rights, restricted stock units, or other forms of equity or equity-linked compensation under the Company's equity incentive or purchase plans duly adopted by a majority of the non-employee members of the Board of Directors of the Company or a committee of non-employee directors established for such purpose.

(d) *Weighted-Average Adjustment to Exercise Price* . If the Company, at any time while this Warrant is outstanding, shall issue any Common Stock or Common Stock Equivalents entitling any person to acquire shares of Common Stock, at an effective price per share less than the then-current Exercise Price, as adjusted hereunder (any such issuance, other than an issuance of Common Stock or Common Stock Equivalents in respect of an Exempt Issuance, being referred to as a "Dilutive Issuance"), then the Exercise Price shall be adjusted in accordance with the following formula:

$$AEP = EP * \frac{[OS + ((DIS * DIP)/EP)]}{(OS + DIS)}$$

For purposes of the foregoing formula:

AEP = Adjusted Exercise Price

EP = Exercise Price (as in effect immediately prior to adjustment)

- OS = Total number of shares of Common Stock and Common Stock Equivalents outstanding immediately prior to the Dilutive (excluding, however, Common Stock and Common Stock Equivalents outstanding on account of Exempt Issuances)
- DIS = Total number of shares of Common Stock and Common Stock Equivalents issued in the Dilutive Issuance
- DIP = The per-share price at which Common Stock or Common Stock Equivalents were issued in the Dilutive Issuance

Any such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued; provided, however, that (i) if an adjustment is made on account of a Dilutive Issuance of Common Stock Equivalents, then the subsequent issuance of actual Common Stock upon conversion or exercise of such Common Stock Equivalents will not result in a second adjustment, and (ii) notwithstanding anything in this Warrant to the contrary, no adjustments shall be made under this Section 2(d) in respect of an Exempt Issuance. The Company shall notify the Holder in writing, no later than the third Trading Day following any Dilutive Issuance (other than an Exempt Issuance), indicating therein the applicable per-share price at which Common Stock or Common Stock Equivalents were issued.

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.

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 an Assignment of Warrant in substantially the form 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. 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.

9. 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.

10. 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 New York, without giving effect to the conflicts-of-law principles thereof.

11. 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.

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

13. 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) “Common Stock Equivalents” means any securities of the Company that would entitle the holder thereof to acquire at any time Common Stock, including without limitation any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

(e) “Exempt Issuance” means the issuance of (i) shares of Common Stock or options to employees, officers, directors or unaffiliated consultants of the Company pursuant to any stock or option plan duly adopted by a majority of the non-employee members of the Board of Directors of the Company or a majority of the members of a committee of non-employee directors established for such purpose, (ii) any securities upon the exercise or conversion of any securities issued pursuant to the Securities Purchase Agreement or agreements in substantially similar form pursuant to which Notes and Warrants were or are sold, (iii) any Common Stock upon the exercise or conversion of securities that are issued and outstanding as of the date of the Securities Purchase Agreement, (iv) securities issued pursuant to or in connection with acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, (v) shares of Common Stock issued or issuable in connection with regularly scheduled dividend payments on the Company’s Series A Preferred Stock, and (vi) shares of Common Stock issued pursuant to any loan or leasing arrangement, real property leasing arrangement, or debt financing from a bank approved by the Board of Directors of the Company.

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

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

(h) “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.

(i) “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.

* * * * *

I N W ITNESS W HEREOF , 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

J OHN W ALPUCK

Chief Financial Officer

EXHIBIT A

**FORM OF
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. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as (check one):

- a cash exercise with respect to _____ Warrant Shares; and/or
- a "Cashless Exercise" with respect to _____ Warrant Shares.

2. Payment of Exercise Price. In the event that the holder has elected to exercise 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.

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

Date: _____

(Print Name of Registered Holder)

By: _____
Name: _____
Title: _____

EXHIBIT B

**FORM OF
ASSIGNMENT OF WARRANT**

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

F O R V A L U E R E C E I V E D , 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.

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 AGREES TO NOT SELL OR OTHERWISE DISPOSE OF THIS WARRANT OR THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT WITHOUT REGISTRATION OR THE APPLICABILITY OF 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: 85,000

Date of Issuance: January 15, 2016 ("Issuance Date")

THIS CERTIFIES THAT, for value received, James Allsopp, an individual (including any permitted and registered assigns, the "Holder"), is entitled to purchase from Creative Realities, Inc., a Minnesota corporation (the "Company"), up to 85,000 shares of Common Stock of the Company (the "Warrant Shares") at the Exercise Price hereunder then in effect. This Warrant to Purchase Common Stock (this "Warrant") is issued by the Company in lieu of additional extensions to past due payments due to Holder, and a modified payment plan related to current payments due to Holder. For purposes of this Warrant, the term "Exercise Price" shall mean \$0.28 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, including but not limited to the provisions of Section 1(c) below, 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 (the "Warrant Share Delivery Date") 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 (or work with the Holder to initiate an electronic delivery of Common Stock through the DWAC system of the Depository Trust Company, if requested). 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. If this Warrant is submitted in connection with any exercise pursuant to Section 1(c) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable, and in no event later than three business days after any exercise and at its own expense, issue a new Warrant representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised.

(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.

(c) *Cashless Exercise* . The Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the “Net Number” of shares of Common Stock determined according to the following formula (a “Cashless Exercise”):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A = the total number of shares with respect to which this Warrant is then being exercised.

B = the Weighted Average Price of the shares of Common Stock for the five consecutive Trading Days ending on the date immediately preceding the date of the Exercise Notice.

C = the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

(d) *Compensation for Buy-In on Failure to Timely Deliver Warrant Shares* . In addition to any other rights available to the Holder, if the Company fails to deliver (or cause its transfer agent to deliver) to the Holder the Warrant Shares pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open-market transaction or otherwise), or the Holder’s brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a “Buy-In”), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder’s total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue, times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of \$10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amount payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder’s right to pursue any other remedies available to it hereunder, at law or in equity, including without limitation a decree of specific performance or other injunctive relief with respect to the Company’s failure to timely deliver shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

(e) *Beneficial Ownership Restrictions* . Notwithstanding anything to the contrary in this Warrant, the Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, to the extent that, after giving effect to the exercise set forth on the applicable Exercise Notice, such Holder (together with such Holder's "affiliates," as such term is defined in Rule 405 under the Securities Act of 1933, and any Persons acting as a group together with such Holder or any of such Holder's affiliates) would beneficially own in excess of the Beneficial Ownership Limitation, as defined below. For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (i) conversion of the remaining unexercised portion of this Warrant beneficially owned by such Holder or any of its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company that are subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by such Holder or any of its affiliates. Except as set forth in the preceding sentence, for purposes of this Section, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). To ensure compliance with this restriction, each Holder will be deemed to represent to the Company each time it delivers an Exercise Notice that such Exercise Notice has not violated the restrictions set forth in this Section 1(e) and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act.

For purposes of this Section 1(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Company's most recent periodic or annual report filed with the U.S. Securities and Exchange Commission, as the case may be, (ii) a more recent public announcement by the Company, or (iii) a more recent written notice by the Company or its transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm to such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by such Holder or its affiliates. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. Upon no fewer than 61 days' prior notice to the Company, a Holder may increase or decrease the Beneficial Ownership Limitation provisions of this paragraph, provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this paragraph shall continue to apply. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Company and shall only apply to such Holder and no other Holder. The limitations contained in this paragraph shall apply to a successor Holder of this Warrant.

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(a) or (b) 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 shareholder 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 not granted to the shareholders of the Company as a whole, or (ii) the issuance of Common Stock, stock options, stock-appreciation rights, restricted stock units, or other forms of equity or equity-linked compensation under the Company’s equity incentive or purchase plans duly adopted by a majority of the non-employee members of the Board of Directors of the Company or a committee of non-employee directors established for such purpose.

(d) *Weighted-Average Adjustment to Exercise Price*. If the Company, at any time while this Warrant is outstanding, shall issue any Common Stock or Common Stock Equivalents entitling any person to acquire shares of Common Stock, at an effective price per share less than the then-current Exercise Price, as adjusted hereunder (any such issuance, other than an issuance of Common Stock or Common Stock Equivalents in respect of an Exempt Issuance, being referred to as a “Dilutive Issuance”), then the Exercise Price shall be adjusted in accordance with the following formula:

$$AEP = EP * \frac{[OS + ((DIS * DIP)/EP)]}{(OS + DIS)}$$

For purposes of the foregoing formula:

AEP = Adjusted Exercise Price

EP = Exercise Price (as in effect immediately prior to adjustment)

- OS = Total number of shares of Common Stock and Common Stock Equivalents outstanding immediately prior to the Dilutive (excluding, however, Common Stock and Common Stock Equivalents outstanding on account of Exempt Issuances)
- DIS = Total number of shares of Common Stock and Common Stock Equivalents issued in the Dilutive Issuance
- DIP = The per-share price at which Common Stock or Common Stock Equivalents were issued in the Dilutive Issuance

Any such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued; provided, however, that (i) if an adjustment is made on account of a Dilutive Issuance of Common Stock Equivalents, then the subsequent issuance of actual Common Stock upon conversion or exercise of such Common Stock Equivalents will not result in a second adjustment, and (ii) notwithstanding anything in this Warrant to the contrary, no adjustments shall be made under this Section 2(d) in respect of an Exempt Issuance. The Company shall notify the Holder in writing, no later than the third Trading Day following any Dilutive Issuance (other than an Exempt Issuance), indicating therein the applicable per-share price at which Common Stock or Common Stock Equivalents were issued.

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.

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 an Assignment of Warrant in substantially the form 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. 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.

9. 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.

10. 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 New York, without giving effect to the conflicts-of-law principles thereof.

11. 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.

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

13. 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) “Common Stock Equivalents” means any securities of the Company that would entitle the holder thereof to acquire at any time Common Stock, including without limitation any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

(e) “Exempt Issuance” means the issuance of (i) shares of Common Stock or options to employees, officers, directors or unaffiliated consultants of the Company pursuant to any stock or option plan duly adopted by a majority of the non-employee members of the Board of Directors of the Company or a majority of the members of a committee of non-employee directors established for such purpose, (ii) any securities upon the exercise or conversion of any securities issued pursuant to the Securities Purchase Agreement or agreements in substantially similar form pursuant to which Notes and Warrants were or are sold, (iii) any Common Stock upon the exercise or conversion of securities that are issued and outstanding as of the date of the Securities Purchase Agreement, (iv) securities issued pursuant to or in connection with acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, (v) shares of Common Stock issued or issuable in connection with regularly scheduled dividend payments on the Company’s Series A Preferred Stock, and (vi) shares of Common Stock issued pursuant to any loan or leasing arrangement, real property leasing arrangement, or debt financing from a bank approved by the Board of Directors of the Company.

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

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

(h) “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.

(i) “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.

* * * * *

I N W ITNESS W HEREOF , 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

J OHN W ALPUCK

Chief Financial Officer

EXHIBIT A

**FORM OF
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. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as (check one):

- a cash exercise with respect to _____ Warrant Shares; and/or
- a "Cashless Exercise" with respect to _____ Warrant Shares.

2. Payment of Exercise Price. In the event that the holder has elected to exercise 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.

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

Date: _____

(Print Name of Registered Holder)

By: _____
Name: _____
Title: _____

EXHIBIT B

**FORM OF
ASSIGNMENT OF WARRANT**

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

F O R V A L U E R E C E I V E D , 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.

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 AGREES TO NOT SELL OR OTHERWISE DISPOSE OF THIS WARRANT OR THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT WITHOUT REGISTRATION OR THE APPLICABILITY OF 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: 50,000

Date of Issuance: January 15, 2016 (“Issuance Date”)

THIS CERTIFIES THAT, for value received, Merriman Capital, Inc., a California Corporation (including any permitted and registered assigns, the “Holder”), is entitled to purchase from Creative Realities, Inc., a Minnesota corporation (the “Company”), up to 50,000 shares of Common Stock of the Company (the “Warrant Shares”) at the Exercise Price hereunder then in effect. This Warrant to Purchase Common Stock (this “Warrant”) is issued by the Company in lieu of additional extensions to past due payments due to Holder, and a modified payment plan related to current payments due to Holder. For purposes of this Warrant, the term “Exercise Price” shall mean \$0.28 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, including but not limited to the provisions of Section 1(c) below, 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 (the “Warrant Share Delivery Date”) 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 (or work with the Holder to initiate an electronic delivery of Common Stock through the DWAC system of the Depository Trust Company, if requested). 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. If this Warrant is submitted in connection with any exercise pursuant to Section 1(c) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable, and in no event later than three business days after any exercise and at its own expense, issue a new Warrant representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised.

(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.

(c) *Cashless Exercise* . The Holder may, in its sole discretion, exercise this Warrant in whole or in part and, in lieu of making the cash payment otherwise contemplated to be made to the Company upon such exercise in payment of the Aggregate Exercise Price, elect instead to receive upon such exercise the “Net Number” of shares of Common Stock determined according to the following formula (a “Cashless Exercise”):

$$\text{Net Number} = \frac{(A \times B) - (A \times C)}{B}$$

For purposes of the foregoing formula:

A = the total number of shares with respect to which this Warrant is then being exercised.

B = the Weighted Average Price of the shares of Common Stock for the five consecutive Trading Days ending on the date immediately preceding the date of the Exercise Notice.

C = the Exercise Price then in effect for the applicable Warrant Shares at the time of such exercise.

(d) *Compensation for Buy-In on Failure to Timely Deliver Warrant Shares* . In addition to any other rights available to the Holder, if the Company fails to deliver (or cause its transfer agent to deliver) to the Holder the Warrant Shares pursuant to an exercise on or before the Warrant Share Delivery Date, and if after such date the Holder is required by its broker to purchase (in an open-market transaction or otherwise), or the Holder’s brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by the Holder of the Warrant Shares which the Holder anticipated receiving upon such exercise (a “Buy-In”), then the Company shall (A) pay in cash to the Holder the amount, if any, by which (x) the Holder’s total purchase price (including brokerage commissions, if any) for the shares of Common Stock so purchased exceeds (y) the amount obtained by multiplying (1) the number of Warrant Shares that the Company was required to deliver to the Holder in connection with the exercise at issue, times (2) the price at which the sell order giving rise to such purchase obligation was executed, and (B) at the option of the Holder, either reinstate the portion of the Warrant and equivalent number of Warrant Shares for which such exercise was not honored (in which case such exercise shall be deemed rescinded) or deliver to the Holder the number of shares of Common Stock that would have been issued had the Company timely complied with its exercise and delivery obligations hereunder. For example, if the Holder purchases Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted exercise of shares of Common Stock with an aggregate sale price giving rise to such purchase obligation of \$10,000, under clause (A) of the immediately preceding sentence the Company shall be required to pay the Holder \$1,000. The Holder shall provide the Company written notice indicating the amount payable to the Holder in respect of the Buy-In and, upon request of the Company, evidence of the amount of such loss. Nothing herein shall limit a Holder’s right to pursue any other remedies available to it hereunder, at law or in equity, including without limitation a decree of specific performance or other injunctive relief with respect to the Company’s failure to timely deliver shares of Common Stock upon exercise of the Warrant as required pursuant to the terms hereof.

(e) *Beneficial Ownership Restrictions* . Notwithstanding anything to the contrary in this Warrant, the Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, to the extent that, after giving effect to the exercise set forth on the applicable Exercise Notice, such Holder (together with such Holder's "affiliates," as such term is defined in Rule 405 under the Securities Act of 1933, and any Persons acting as a group together with such Holder or any of such Holder's affiliates) would beneficially own in excess of the Beneficial Ownership Limitation, as defined below. For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its affiliates shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (i) conversion of the remaining unexercised portion of this Warrant beneficially owned by such Holder or any of its affiliates and (ii) exercise or conversion of the unexercised or unconverted portion of any other securities of the Company that are subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by such Holder or any of its affiliates. Except as set forth in the preceding sentence, for purposes of this Section, beneficial ownership shall be calculated in accordance with Section 13(d) of the Securities Exchange Act of 1934 (the "Exchange Act"). To ensure compliance with this restriction, each Holder will be deemed to represent to the Company each time it delivers an Exercise Notice that such Exercise Notice has not violated the restrictions set forth in this Section 1(e) and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act.

For purposes of this Section 1(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (i) the Company's most recent periodic or annual report filed with the U.S. Securities and Exchange Commission, as the case may be, (ii) a more recent public announcement by the Company, or (iii) a more recent written notice by the Company or its transfer agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within two Trading Days confirm to such Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by such Holder or its affiliates. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. Upon no fewer than 61 days' prior notice to the Company, a Holder may increase or decrease the Beneficial Ownership Limitation provisions of this paragraph, provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this paragraph shall continue to apply. Any such increase or decrease will not be effective until the 61st day after such notice is delivered to the Company and shall only apply to such Holder and no other Holder. The limitations contained in this paragraph shall apply to a successor Holder of this Warrant.

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(a) or (b) 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 shareholder 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 not granted to the shareholders of the Company as a whole, or (ii) the issuance of Common Stock, stock options, stock-appreciation rights, restricted stock units, or other forms of equity or equity-linked compensation under the Company’s equity incentive or purchase plans duly adopted by a majority of the non-employee members of the Board of Directors of the Company or a committee of non-employee directors established for such purpose.

(d) *Weighted-Average Adjustment to Exercise Price*. If the Company, at any time while this Warrant is outstanding, shall issue any Common Stock or Common Stock Equivalents entitling any person to acquire shares of Common Stock, at an effective price per share less than the then-current Exercise Price, as adjusted hereunder (any such issuance, other than an issuance of Common Stock or Common Stock Equivalents in respect of an Exempt Issuance, being referred to as a “Dilutive Issuance”), then the Exercise Price shall be adjusted in accordance with the following formula:

$$AEP = EP * \frac{[OS + ((DIS * DIP)/EP)]}{(OS + DIS)}$$

For purposes of the foregoing formula:

AEP = Adjusted Exercise Price

EP = Exercise Price (as in effect immediately prior to adjustment)

- OS = Total number of shares of Common Stock and Common Stock Equivalents outstanding immediately prior to the Dilutive (excluding, however, Common Stock and Common Stock Equivalents outstanding on account of Exempt Issuances)
- DIS = Total number of shares of Common Stock and Common Stock Equivalents issued in the Dilutive Issuance
- DIP = The per-share price at which Common Stock or Common Stock Equivalents were issued in the Dilutive Issuance

Any such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued; provided, however, that (i) if an adjustment is made on account of a Dilutive Issuance of Common Stock Equivalents, then the subsequent issuance of actual Common Stock upon conversion or exercise of such Common Stock Equivalents will not result in a second adjustment, and (ii) notwithstanding anything in this Warrant to the contrary, no adjustments shall be made under this Section 2(d) in respect of an Exempt Issuance. The Company shall notify the Holder in writing, no later than the third Trading Day following any Dilutive Issuance (other than an Exempt Issuance), indicating therein the applicable per-share price at which Common Stock or Common Stock Equivalents were issued.

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.

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 an Assignment of Warrant in substantially the form 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. 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.

9. 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.

10. 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 New York, without giving effect to the conflicts-of-law principles thereof.

11. 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.

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

13. 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) “Common Stock Equivalents” means any securities of the Company that would entitle the holder thereof to acquire at any time Common Stock, including without limitation any debt, preferred stock, rights, options, warrants or other instrument that is at any time convertible into or exercisable or exchangeable for, or otherwise entitles the holder thereof to receive, Common Stock.

(e) “Exempt Issuance” means the issuance of (i) shares of Common Stock or options to employees, officers, directors or unaffiliated consultants of the Company pursuant to any stock or option plan duly adopted by a majority of the non-employee members of the Board of Directors of the Company or a majority of the members of a committee of non-employee directors established for such purpose, (ii) any securities upon the exercise or conversion of any securities issued pursuant to the Securities Purchase Agreement or agreements in substantially similar form pursuant to which Notes and Warrants were or are sold, (iii) any Common Stock upon the exercise or conversion of securities that are issued and outstanding as of the date of the Securities Purchase Agreement, (iv) securities issued pursuant to or in connection with acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, (v) shares of Common Stock issued or issuable in connection with regularly scheduled dividend payments on the Company’s Series A Preferred Stock, and (vi) shares of Common Stock issued pursuant to any loan or leasing arrangement, real property leasing arrangement, or debt financing from a bank approved by the Board of Directors of the Company.

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

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

(h) “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.

(i) “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.

* * * * *

I N W ITNESS W HEREOF , 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

J OHN W ALPUCK

Chief Financial Officer

EXHIBIT A

**FORM OF
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. Form of Exercise Price. The Holder intends that payment of the Exercise Price shall be made as (check one):

- a cash exercise with respect to _____ Warrant Shares; and/or
- a "Cashless Exercise" with respect to _____ Warrant Shares.

2. Payment of Exercise Price. In the event that the holder has elected to exercise 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.

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

Date: _____

(Print Name of Registered Holder)

By: _____
Name: _____
Title: _____

EXHIBIT B

**FORM OF
ASSIGNMENT OF WARRANT**

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

F O R V A L U E R E C E I V E D , 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.

**CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)**

I, Richard Mills, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Creative Realities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over

financial reporting.

Dated: May 13, 2016

By: /s/ Richard Mills

Richard Mills
Chief Executive Officer

EXHIBIT 31.2

**CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13a-14(a)**

I, John Walpuck, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Creative Realities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over

financial reporting.

Dated: May 13, 2016

By: /s/ John Walpuck
John Walpuck
Chief Financial Officer

EXHIBIT 32.1

**CHIEF EXECUTIVE OFFICER CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10-Q for the first quarter ended March 31, 2016 of Creative Realities, Inc., as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Mills, as Chief Executive Officer certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to

the Securities and Exchange Commission or its staff upon request.

Dated: May 13, 2016

By: /s/Richard Mills

Richard Mills
Chief Executive Officer

EXHIBIT 32.2

**CHIEF FINANCIAL OFFICER CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350**

In connection with the Quarterly Report on Form 10-Q for the first quarter ended March 31, 2016 of Creative Realities, Inc., as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Walpuck, as Chief Financial Officer certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Dated: May 13, 2016

By: /s/ John Walpuck

John Walpuck
Chief Financial Officer