UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 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 September 30, 2022

or

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

For the transition period from ___________ to ___________

Commission File Number 001-33169

Creative Realities, Inc.
(Exact Name of Registrant as Specified in its Charter)

Minnesota	**41-1967918**
State or Other Jurisdiction of Incorporation or Organization	I.R.S. Employer Identification No.
13100 Magisterial Drive, Suite 100, Louisville KY	**40223**
Address of Principal Executive Offices	Zip Code

(502) 791-8800
Registrant's Telephone Number, Including Area Code

Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 per share	CREX	The Nasdaq Stock Market LLC
Warrants to purchase Common Stock	CREXW	The Nasdaq Stock Market LLC

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

APPLICABLE ONLY TO CORPORATE ISSUERS

As of November 14, 2022, the registrant had 21,799,126 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)
(Unaudited)

	September 30, 2022 (unaudited)	December 31, 2021
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 819	$ 2,883
Accounts receivable, net of allowance of $809 and $620, respectively	7,186	3,006
Unbilled receivables	219	369
Work-in-process and inventories, net	3,108	1,880
Prepaid expenses and other current assets	1,618	1,634
Total current assets	$ 12,950	$ 9,772
Operating lease right-of-use assets	1,703	654
Property and equipment, net	193	75
Intangibles, net	23,754	4,850
Goodwill	26,094	7,525
Other assets	19	5
TOTAL ASSETS	$ 64,713	$ 22,881
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term seller note payable	$ 1,777	$ -
Short-term portion of Related Party Consolidation Term Loan	399	
Accounts payable	3,040	2,517
Accrued expenses	3,029	2,110
Deferred revenues	2,704	426
Customer deposits	1,783	1,525
Current maturities of operating leases	705	281
Total current liabilities	13,437	6,859
Long-term Related Party Acquisition Term Loan, net of $1,660 and $0 discount, respectively	8,340	-
Long-term Related Party Consolidation Term Loan, net of $1,773 and $143 discount, respectively	5,013	4,624
Long-term related party convertible loans payable, at fair value	-	2,251
Contingent acquisition consideration, at fair value	10,494	-
Long-term obligations under operating leases	1,018	373
Other liabilities	9	45
TOTAL LIABILITIES	38,311	14,152
SHAREHOLDERS' EQUITY		
Common stock, $0.01 par value, 200,000 shares authorized; 21,751 and 12,009 shares issued and outstanding, respectively	217	120
Additional paid-in capital	75,260	60,863
Accumulated deficit	(49,075)	(52,254)
Total shareholders' equity	26,402	8,729
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 64,713	$ 22,881

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 Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2022	2021	2022	2021
Sales				
Hardware	$ 5,015	$ 2,215	$ 17,141	$ 6,327
Services and other	6,165	2,538	15,719	6,707
Total sales	11,180	4,753	32,860	13,034
Cost of sales				
Hardware	3,811	1,588	13,803	4,372
Services and other	2,855	818	5,989	2,206
Total cost of sales	6,666	2,406	19,792	6,578
Gross profit	4,514	2,347	13,068	6,456
Operating expenses:				
Sales and marketing expenses	718	330	2,572	834
Research and development expenses	238	226	897	455
General and administrative expenses	2,789	1,848	8,105	5,623
Bad debt (recovery)/expense	58	-	164	(463)
Depreciation and amortization expense	885	347	2,060	1,035
Deal and transaction expenses	110	-	538	-
Total operating expenses	4,798	2,751	14,336	7,484
Operating loss	(284)	(404)	(1,268)	(1,028)
Other income/(expenses):				
Interest expense	(757)	(186)	(1,956)	(617)
Change in fair value of warrant liability	-	-	7,902	-
Change in fair value of equity guarantee	442	-	369	-
Gain/(loss) on settlement of obligations	37	256	(237)	3,449
Loss on debt waiver consent	-	-	(1,212)	-
Loss on warrant amendment	-	-	(345)	-
Change in fair value of Convertible Loan	-	-	-	166
Other expense	(2)	(8)	3	(7)
Total other income/(expense)	(280)	62	4,524	2,991
Income/(loss) before income taxes	(564)	(342)	3,256	1,963
Benefit/(provision) for income taxes	10	(1)	(46)	(9)
Net income/(loss)	$ (554)	$ (343)	$ 3,210	$ 1,954
Basic earnings/(loss) per common share	$ (0.03)	$ (0.03)	$ 0.17	$ 0.17
Diluted earnings/(loss) per common share	$ (0.03)	$ (0.03)	$ 0.17	$ 0.17
Weighted average shares outstanding - basic	21,750	11,897	19,383	11,692
Weighted average shares outstanding - diluted	21,750	11,897	19,383	11,692

See accompanying notes to condensed consolidated financial statements.

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

	Nine Months Ended September 30,	
	2022	**2021**
Operating Activities:		
Net income	$ 3,210	$ 1,954
Adjustments to reconcile net income to net cash used in operating activities		
Depreciation and amortization	2,060	1,035
Amortization of debt discount	904	130
Stock-based compensation	1,487	1,252
Shares issued for services	100	85
Gain on forgiveness of Paycheck Protection Program	-	(1,552)
Gain on settlement of Seller Note	-	(1,538)
Change in fair value of Convertible Loan	-	(166)
Allowance for doubtful accounts	105	(274)
Increase in notes due to in-kind interest	-	467
Loss on debt waiver consent	1,212	-
Loss on warrant amendment	345	-
Loss/(Gain) on settlement of obligations	237	(359)
Gain on change in fair value of contingent consideration	(369)	-
Gain on change in fair value of warrants	(7,902)	-
Changes to operating assets and liabilities:		
Accounts receivable and unbilled receivables	(2,835)	(154)
Inventories	(1,032)	399
Prepaid expenses and other current assets	682	(1,010)
Operating lease right-of-use assets, net	(556)	219
Other assets	22	-
Accounts payable	(227)	(94)
Deferred revenue	1,019	6
Accrued expenses	533	(181)
Deposits	(585)	(402)
Operating liabilities, net	(36)	-
Operating lease liabilities, non-current	576	(184)
Net cash used in operating activities	(1,050)	(367)
Investing activities		
Acquisition of business, net of cash acquired	(17,186)	-
Purchases of property and equipment	(123)	(10)
Capitalization of labor for software development	(2,959)	(422)
Net cash used in investing activities	(20,268)	(432)
Financing activities		
Principal payments on finance leases	-	(4)
Proceeds from sale of common stock in PIPE, net of offering expenses	1,814	-
Proceeds from sale & exercise of pre-funded warrants in PIPE, net of offering expenses	8,295	-
Proceeds from Acquisition Loan, net of offering expenses	9,868	-
Repayment of Seller Note	(723)	(100)
Proceeds from sale of shares via registered direct offering, net	-	1,849
Net cash provided by financing activities	19,254	1,745
Increase/(decrease) in Cash and Cash Equivalents	(2,064)	946
Cash and Cash Equivalents, beginning of period	2,883	1,826
Cash and Cash Equivalents, end of period	$ 819	$ 2,772

See accompanying notes to condensed consolidated financial statements.

CREATIVE REALITIES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(in thousands, except shares)
(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional paid in capital	Accumulated Deficit	Total
Three months ended September 30, 2022					
Balance as of June 30, 2022	21,743,852	$ 217	$ 74,741	$ (48,521)	$ 26,437
Stock-based compensation	-	-	514	-	514
Stock-based compensation issued to vendors	7,687	-	5	-	5
Net loss	-	-	-	(554)	(554)
Balance as of September 30, 2022	21,751,539	$ 217	$ 75,260	$ (49,075)	$ 26,402

Nine months ended September 30, 2022	Common Stock Shares	Common Stock Amount	Additional paid in capital	Accumulated Deficit	Total
Balance as of December 31, 2021	12,008,519	$ 120	$ 60,863	$ (52,254)	$ 8,729
Stock-based compensation	-	-	1,406	-	1,406
Stock-based compensation issued to vendors	76,514	-	70	-	70
Shares issued and warrants exercised in private investment in public entity ("PIPE")	7,166,505	72	2,206	-	2,278
Shares issued in Reflect Systems, Inc. Merger	2,500,001	25	4,975	-	5,000
Warrant repricing events	-	-	31	(31)	-
Warrant amendment	-	-	5,709	-	5,709
Net income	-	-	-	3,210	3,210
Balance as of September 30, 2022	21,751,539	$ 217	$ 75,260	$ (49,075)	$ 26,402

	Common Stock Shares	Common Stock Amount	Additional paid in capital	Accumulated (Deficit)	Total
Three months ended September 30, 2021					
Balance as of June 30, 2021	11,876,679	$ 118	$ 59,777	$ (50,189)	$ 9,706
Stock-based compensation	-	-	331	-	331
Stock-based compensation issued to vendors	31,257	-	45	-	45
Shares issued to directors as compensation	11,524	1	25	-	26
Net loss	-	-	-	(343)	(343)
Balance as of September 30, 2021	11,919,460	$ 119	$ 60,178	$ (50,532)	$ 9,765

	Common Stock Shares	Common Stock Amount	Additional paid in capital	Accumulated (Deficit)	Total
Nine months ended September 30, 2021					
Balance as of December 31, 2020	10,924,287	$ 109	$ 56,712	$ (52,486)	$ 4,335
Stock-based compensation	-	-	1,177	-	1,177
Stock-based compensation issued to vendors	53,461	1	84	-	85
Shares issued to directors as compensation	44,568	-	75	-	75
Conversion of Disbursed Escrow Loan	97,144	1	263	-	264
Gain on Extinguishment of Special Loan	-	-	26	-	26
Sales of Shares via registered direct offering, net of offering cost	800,000	8	1,841	-	1,849
Net income	-	-	-	1,954	1,954
Balance as of September 30, 2021	11,919,460	$ 119	$ 60,178	$ (50,532)	$ 9,765

See accompanying notes to condensed consolidated financial statements.

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

NOTE 1: NATURE OF ORGANIZATION AND OPERATIONS

Unless the context otherwise indicates, references in these Notes to the accompanying Consolidated Financial Statements to "we," "us," "our" and "the Company" refer to Creative Realities, Inc. and its subsidiaries.

Nature of the Company's Business

Creative Realities, Inc. is a Minnesota corporation that provides innovative digital marketing technology and solutions to retail companies, individual retail brands, enterprises and organizations throughout the United States and in certain international markets. The Company has expertise in a broad range of existing and emerging 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.

Our main operations are conducted directly through Creative Realities, Inc., and under our wholly owned subsidiaries Allure Global Solutions, Inc., a Georgia corporation, Creative Realities Canada, Inc., a Canadian corporation, and Reflect Systems, Inc., a Delaware corporation.

Acquisition of Reflect

On November 12, 2021, the Company and Reflect Systems, Inc., or "Reflect," entered into an Agreement and Plan of Merger (as amended on February 8, 2022, the "Merger Agreement") pursuant to which a direct, wholly owned subsidiary of Creative Realities, CRI Acquisition Corporation, or "Merger Sub," would merge with and into Reflect, with Reflect surviving the merger and becoming our wholly owned subsidiary, which transaction is referred to herein as the "Merger." On February 17, 2022, the parties consummated the Merger.

Reflect provides digital signage solutions, including software, strategic and media services to a wide range of companies across the retail, financial, hospitality and entertainment, healthcare, and employee communications industries in North America. Reflect offers digital signage platforms, including ReflectView, a platform used by companies to power hundreds of thousands of active digital displays. Through its strategic services, Reflect assists its customers with designing, deploying and optimizing their digital signage networks, and through its media services, Reflect assists customers with monetizing their digital advertising networks.

Subject to the terms and conditions of the Merger Agreement, upon the closing of the Merger, Reflect stockholders as of the effective time of the Merger collectively received from the Company, in the aggregate, the following Merger consideration: (i) $16,166 in cash, (ii) 2,333,334 shares of common stock of Creative Realities (valued based on an issuance price of $2 per share) (the "CREX Shares"), (iii) the Secured Promissory Note (as described below), and (iv) supplemental cash payments (the "Guaranteed Consideration"), if any, payable on or after February 17, 2025 (subject to the Extension Option described below, the "Guarantee Date"), in an amount by which the value of the CREX Shares on such anniversary is less than $6.40 per share, or if certain customers of Reflect collectively achieve over 85,000 billable devices online at any time on or before December 31, 2022, is less than $7.20 per share (such applicable amount, the "Guaranteed Price"), multiplied by the amount of CREX Shares held by the Reflect stockholders on the Guarantee Date (subject to the Extension Option described below).

The Company may exercise an extension option (the "Extension Option") to extend the Guarantee Date by six (6) months, from February 17, 2025 to August 17, 2025, if (i) the Extension Threshold Price is greater than or equal to 70% of the Guaranteed Price described above, and (ii) the Company provides written notice of its election to exercise the Extension Option no later than February 7, 2022. The "Extension Threshold Price" means the average closing price per share of Creative Realities common stock as reported on the Nasdaq Capital Market (or NYSE) in the fifteen (15) consecutive trading day period ending February 2, 2025. If the Extension Threshold Price is less than 80% of the Guaranteed Price, then the Guaranteed Price will be increased by $1.00 per share.

In connection with the Merger, the Company adopted a Retention Bonus Plan and raised capital to, among other things, pay the cash portion of the Merger consideration. The Retention Bonus Plan and financings are described below.

Retention Bonus Plan

On February 17, 2022, in connection with the closing of the Merger (the “Closing”), the Company adopted a Retention Bonus Plan, pursuant to which the Company is required to pay to key members of Reflect’s management team an aggregate of $1,334 in cash, which was paid 50% at the Closing, and subject to continuous employment with Reflect or Creative Realities, 25% will be paid on February 17, 2023 (the one-year anniversary of Closing) and 25% will be paid on February 17, 2024 (the two-year anniversary of the Closing). The future cash payments due on the one-year and two-year anniversaries of the Closing have been deposited into an escrow agreement. The Retention Bonus Plan also requires the Company to issue Common Stock having an aggregate value of $667 to the plan participants as follows: 50% of the value of such shares were issued at the Closing, and subject to continuous employment with Reflect or Creative Realities, 25% of the value of such shares will be issued on February 17, 2023 (the one-year anniversary of Closing) and the remaining 25% of the value of such shares will be issued on February 17, 2024 (the two-year anniversary of the Closing). The shares issued on the Closing were valued at $2.00 per share, and the shares to be issued after the Closing will be determined based on dividing the value of shares issuable on such date divided by the trailing 10-day volume weighted average price (VWAP) of the shares as of such date as reported on the Nasdaq Capital Market.

Upon the resignation of a participant’s employment for “good reason,” or termination of the employment of a participant without “cause,” each as defined in the Retention Bonus Plan, the participant will be fully vested and will receive all cash and shares allocated to such participant under the Retention Bonus Plan. Any amounts unpaid by reason of a lapse in continuous employment or otherwise will be reallocated among the remaining Retention Bonus Plan participants.

Equity Financing

On February 3, 2022, the Company entered into a securities purchase agreement (the “Securities Purchase Agreement”) with a purchaser (the “Purchaser”), pursuant to which the Company agreed to issue and sell to the Purchaser, in a private placement priced at-the-market under Nasdaq rules, (i) 1,315,000 shares (the “Shares”) of the Company’s common stock, par value $0.01 per share (the “Common Stock”) and accompanying warrants to purchase an aggregate of 1,315,000 shares of Common Stock, and (ii) pre-funded warrants to purchase up to an aggregate of 5,851,505 shares of Common Stock (the “Pre-Funded Warrants”) and accompanying warrants to purchase an aggregate of 5,851,505 shares of Common Stock (collectively, the “Private Placement”). The accompanying warrants to purchase Common Stock are referred to herein collectively as the “Common Stock Warrants.” Under the Securities Purchase Agreement, each Share and accompanying warrants to purchase Common Stock were sold together at a combined price of $1.535, and each Pre-Funded Warrant and accompanying warrants to purchase Common Stock were sold together at a combined price of $1.5349, for gross proceeds of approximately $11,000 before deducting placement agent fees and offering expenses payable by the Company. Net proceeds to the Company were $10,160. The remaining exercise price for the Pre-Funded Warrant was $0.0001. Collectively, we refer to this transaction throughout this filing as the “Equity Financing”. The net proceeds from the Private Placement were used to fund, in part, payment of the closing cash consideration in the Merger.

Effective June 30, 2022, the Company amended the terms of Common Stock Warrants to remove the holder’s option to exercise such warrants on a cashless basis utilizing the VWAP of the Company’s common stock on the trading day immediately preceding the date of a notice of cashless exercise in certain circumstances, and removes the condition to exercising such warrants that the Company’s shareholders approve the exercise thereof (which has already been obtained). The amendments to the Common Stock Warrants also extend the term of such warrants for an additional one year, The foregoing amendments to the warrants caused such warrants to be accounted for as equity instruments on the Company’s financial statements.

Debt Financing

On February 17, 2022, the Company and its subsidiaries (collectively, the "Borrowers") refinanced their current debt facilities with Slipstream Communications, LLC ("Slipstream"), pursuant to a Second Amended and Restated Credit and Security Agreement (the "Credit Agreement"), and raised $10,000 in gross proceeds with a maturity date of February 1, 2025. The Credit Agreement also provides that the Company's outstanding loans from Slipstream, consisting of its pre-existing $4,767 senior secured term loan and $2,418 secured convertible loan, with an aggregate of $7,185 in outstanding principal and accrued and unpaid interest under such loans, were consolidated into a Consolidation Term Loan with a maturity date of February 1, 2025. Collectively, we refer to this transaction throughout this filing as the "Debt Financing". The net proceeds from the Debt Financing were used to fund, in part, payment of the closing cash consideration in the Merger, and the cash payable under the terms of the Retention Bonus Plan at the Closing.

On February 17, 2022, in connection with the Closing of the Merger, the Company issued to the representative of Reflect stockholders, RSI Exit Corporation ("Stockholders' Representative"), a $2,500 Note and Security Agreement (the "Secured Promissory Note"). The Secured Promissory Note accrues interest at 0.59% (the applicable federal rate on the date of issuance of the Secured Promissory Note) and requires the Company and Reflect to collectively pay equal monthly principal installments of $104 on the fifteenth (15th) day of each month, commencing on March 15, 2022. Any remaining or unpaid principal is due and payable on February 17, 2023. The Secured Promissory Note represents consideration in the Merger and is included as part of the purchase price.

See Note 9 *Loans Payable* to the Condensed Consolidated Financial Statements for an additional discussion of the Company's debt obligations and further discussion of the Company's refinancing activities subsequent to December 31, 2021.

Liquidity and Financial Condition

The accompanying Condensed Consolidated Financial Statements have been prepared on the basis of the realization of assets and the satisfaction of liabilities and commitments in the normal course of business and do not include any adjustments to the recoverability and classifications of recorded assets and liabilities as a result of uncertainties.

For the three months ended September 30, 2022 and 2021, we incurred net losses of $(554) and $(343), respectively. For the nine months ended September 30, 2022 and 2021, we recognized net income of $3,210 and $1,954, respectively. As of September 30, 2022, we had cash and cash equivalents of $819 and a working capital deficit of $487.

Management believes that, based on (i) securing incremental debt of $2,000 on October 31, 2022 (see Note 9 *Loans Payable, Term Loan (2022)* to the Condensed Consolidated Financial Statements for a description of such transaction), and (ii) our operational forecast through 2023, that we can continue as a going concern through at least November 14, 2023. However, given our history of net losses and cash used in operating activities, we obtained a continued support letter from Slipstream through November 14, 2023.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies consistently applied in the preparation of the accompanying Condensed Consolidated Financial Statements follows:

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the applicable instructions to Form 10-Q and Regulation S-X and include all of the information and disclosures required by generally accepted accounting principles in the United States of America ("GAAP") for interim financial reporting. These unaudited Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements of the Company and related footnotes for the year ended December 31, 2021, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 22, 2022.

The results of operations for the interim periods are not necessarily indicative of results of operations for a full year. Management believes the accompanying unaudited Condensed Consolidated Financial Statements reflect all adjustments, including normal recurring items, considered necessary for a fair statement of results for the interim periods presented.

2. Revenue Recognition

We recognize revenue in accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, applying the five-step model.

If an arrangement involves multiple performance obligations, the items are analyzed to determine the separate units of accounting, whether the items have value on a standalone basis and whether there is objective and reliable evidence of their standalone selling price. The total contract transaction price is allocated to the identified performance obligations based upon the relative standalone selling prices of the performance obligations. The standalone selling price is based on an observable price for services sold to other comparable customers, when available, or an estimated selling price using a cost plus margin approach. See Note 4 *Revenue Recognition* for additional detail and discussion of the Company's performance obligations.

The Company estimates the amount of total contract consideration it expects to receive for variable arrangements by determining the most likely amount it expects to earn from the arrangement based on the expected quantities of services it expects to provide and the contractual pricing based on those quantities. The Company only includes some or a portion of variable consideration in the transaction price when it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the variable consideration is subsequently resolved. The Company considers the sensitivity of the estimate, its relationship and experience with the client and variable services being performed, the range of possible revenue amounts and the magnitude of the variable consideration to the overall arrangement. The Company receives variable consideration in very few instances.

Revenue is recognized when a customer obtains control of promised goods or services under the terms of a contract and is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. The Company does not have any material extended payment terms as payment is due at or shortly after the time of the sale, ranging between thirty and ninety days. Observable prices are used to determine the standalone selling price of separate performance obligations or a cost plus margin approach when one is not available. Sales, value-added and other taxes collected concurrently with revenue producing activities are excluded from revenue.

The Company recognizes contract assets or unbilled receivables related to revenue recognized for services completed but not yet invoiced to the clients. A contract liability is recognized as deferred revenue when the Company invoices clients in advance of performing the related services under the terms of a contract. Deferred revenue is recognized as revenue when the Company has satisfied the related performance obligation.

The Company uses the practical expedient for recording an immediate expense for incremental costs of obtaining contracts, including certain design/engineering services, commissions, incentives and payroll taxes, as these incremental and recoverable costs have terms that do not exceed one year.

3. Inventories

Inventories are stated at the net realizable value, determined by the first-in, first-out (FIFO) method, and consist of the following:

	September 30, 2022	December 31, 2021
Raw materials, including those on consignment, net of reserve of $883 and $502, respectively	$ 2,757	$ 1,583
Work-in-process	351	297
Total inventories	$ 3,108	$ 1,880

4. Impairment of Long-Lived Assets

We review the carrying value of all long-lived assets, including property and equipment, for impairment annually as of September 30 in accordance with ASC 360, *Accounting for the Impairment or Disposal of Long-Lived Assets*. Under ASC 360, impairment losses are recorded whenever events or changes in circumstances indicate the carrying value of an asset may not be recoverable. We evaluated whether there was any impairment of long-lived assets as of September 30, 2022 and concluded there was none.

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 as 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.

5. Basic and Diluted Income/(Loss) per Common Share

Basic and diluted income/(loss) per common share for all periods presented is computed using the weighted average number of common shares outstanding. Basic weighted average shares outstanding includes only outstanding common shares. Diluted weighted average shares outstanding includes outstanding common shares and potential dilutive common shares outstanding in accordance with the treasury stock method.

Shares reserved for outstanding stock options, including stock options with performance restricted vesting, and warrants totaling approximately 22,276,807 at September 30, 2022 were excluded from the computation of income per share as the strike price on the options and warrants were higher than the Company’s market price and therefore anti-dilutive.

Shares reserved for outstanding stock options, including stock options with performance restricted vesting, and warrants totaling approximately 6,776,771 at September 30, 2021 were excluded from the computation of income/(loss) per share as the strike price on the options and warrants were higher than the Company’s market price and therefore anti-dilutive. Diluted weighted average shares outstanding for the three and nine-months ended September 30, 2021 included 8,333 options which were both exercisable and in-the-money as of September 30, 2021. Those options were included in the calculation of diluted earnings per share as of the beginning of the calculation period.

6. Income Taxes

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, 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. The Company accounts for uncertain tax positions utilizing an established recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We had no uncertain tax positions as of September 30, 2022 and December 31, 2021.

7. Goodwill and Intangible Assets

We follow the provisions of ASC 350, *Goodwill and Other Intangible Assets*. Pursuant to ASC 350, goodwill acquired in a business combination is not amortized, but instead tested for impairment at least annually. The Company uses an annual measurement date of September 30 to assess impairment of goodwill and any indefinite-lived intangible assets, or as indicators of impairment are identified (see Note 8 *Intangible Assets and Goodwill*).

Definite-lived intangible assets are amortized straight-line in accordance with their identified useful lives.

8. Use of Estimates

The preparation of financial statements in conformity with GAAP 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 include: warrant liability valuation, contingent purchase consideration valuation, the allowance for doubtful accounts, valuation allowances related to deferred taxes, the fair value of acquired assets and liabilities, the fair value of liabilities reliant upon the appraised fair value of the Company, valuation of stock-based compensation awards 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.

9. Leases

We account for leases in accordance with Accountings Standards Update ("ASU") No. 2016-02, *Leases* (Topic 842), as amended.

We determine if an arrangement is a lease at inception. Right of use ("ROU") assets and liabilities are recognized at commencement date based on the present value of remaining lease payments over the lease term. For this purpose, we consider only payments that are fixed and determinable at the time of commencement. As most of our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our incremental borrowing rate is a hypothetical rate based on our understanding of what our credit rating would be and corresponding market rates at the time of lease inception. The ROU asset also includes any lease payments made prior to commencement and is recorded net of any lease incentives received. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise such options.

Operating leases are included in operating lease right-of-use assets, current maturities of operating leases, and long-term obligations under operating leases on our condensed consolidated balance sheets.

10. Business Combinations

Accounting for acquisitions requires us to recognize separately from goodwill the assets acquired and the liabilities assumed at their acquisition date fair values. Goodwill as of the acquisition date is measured as the excess of consideration transferred over the net acquisition date fair values of the assets acquired and the liabilities assumed. While we use our best estimates and assumptions to accurately value assets acquired and liabilities assumed at the acquisition date as well as contingent consideration, where applicable, our estimates are inherently uncertain and subject to refinement. As a result, during the measurement period, which may be up to one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed with the corresponding offset to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to our consolidated statements of operations. Refer to Note 5, *Business Combination* for a discussion of the accounting for the Merger.

11. Contingent Consideration

The Company has contingent consideration arrangements related to certain acquisitions to potentially pay additional cash amounts in future periods based on the lack of achievement of certain share price performance goals of our common stock. Such contingent consideration arrangements are recorded at fair value and are classified as liabilities on the acquisition date and are remeasured at each reporting period in accordance with ASC 805-30-35-1 using a Monte Carlo simulation model.

NOTE 3: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Recently adopted

On January 1, 2022, we adopted early Accounting Standards Update ("ASU") No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers* (ASU 2021-08), which clarifies that an acquirer of a business should recognize and measure contract assets and contract liabilities in a business combination in accordance with Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers (Topic 606)*. The adoption of this new standard did not have a material impact on our condensed consolidated financial statements.

Not yet adopted

In August 2020, the FASB issued Accounting Standards Update No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06)*, which simplifies the accounting for convertible instruments by reducing the number of accounting models available for convertible debt instruments. This guidance also eliminates the treasury stock method to calculate diluted earnings per share for convertible instruments and requires the use of the if-converted method. This guidance will be effective for us in the first quarter of 2024 on a full or modified retrospective basis, with early adoption permitted. We do not intend to early adopt this standard, nor do we expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses*. The main objective is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments in this update replace the incurred loss methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to calculate credit loss estimates. For trade receivables and loans, entities will be required to estimate lifetime expected credit losses. The amendments are effective for public business entities that qualify as smaller reporting companies for fiscal years and interim periods beginning after December 15, 2022. We are currently evaluating the disclosure requirements related to adopting this guidance.

NOTE 4: REVENUE RECOGNITION

The Company applies ASC 606 for revenue recognition. The following table disaggregates the Company's revenue by major source for the three and nine months ended September 30, 2022 and 2021:

(in thousands)	**Three Months Ended September 30, 2022**	**Three Months Ended September 30, 2021**	**Nine Months Ended September 30, 2022**	**Nine Months Ended September 30, 2021**
Hardware	$ 5,015	$ 2,215	$ 17,141	$ 6,327
Services:				
Installation Services	1,472	985	3,714	2,057
Software Development Services	105	109	405	476
Media	688	-	1,165	-
Managed Services	3,900	1,444	10,435	4,174
Total Services	6,165	2,538	15,719	6,707
Total Hardware and Services	$ 11,180	$ 4,753	$ 32,860	$ 13,034

System hardware sales

System hardware revenue is recognized generally upon shipment of the product or customer acceptance, depending upon contractual arrangements with the customer in instances in which the sale of hardware is the sole performance obligation. Shipping charges billed to customers are included in hardware sales and the related shipping costs are included in hardware cost of sales. The cost of freight and shipping to the customer is recognized in cost of sales at the time of transfer of control to the customer. System hardware revenues are classified as “Hardware” within our disaggregated revenue.

Installation services

The Company performs outsourced installation services for customers and recognizes revenue upon completion of the installations. Installation services also includes engineering services performed as part of an installation project.

When system hardware sales include installation services to be performed by the Company, the goods and services in the contract are not distinct, so the arrangement is accounted for as a single performance obligation. Our customers control the work-in-process and can make changes to the design specifications over the contract term. Revenues are recognized over time as the installation services are completed based on the relative portion of labor hours completed as a percentage of the budgeted hours for the installation. Installation services revenues are classified as “Installation Services” within our disaggregated revenue.

The aggregate amount of the transaction price allocated to installation service performance obligations that are partially unsatisfied as of September 30, 2022 and 2021 were $0 and $35.

Software design and development services

Software and software license sales are recognized as revenue when a fixed fee order has been received and delivery has occurred to the customer. Revenue is recognized generally upon customer acceptance (point-in-time) of the software product and verification that it meets the required specifications. Software is delivered to customers electronically. Software design and development revenues are classified as “Software Development Services” within our disaggregated revenue.

Software as a service

Software as a service includes revenue from software licensing and delivery in which software is licensed on a subscription basis and is centrally hosted. These services often include software updates which provide customers with rights to unspecified software product upgrades and maintenance releases and patches released during the term of the support period. Contracts for these services are generally 12-36 months in length. We account for revenue from these services in accordance with ASC 985-20-15-5 and recognize revenue ratably over the performance period. Software as a service revenues are classified as “Managed Services” within our disaggregated revenue.

Maintenance and support services

The Company sells maintenance and support services which include access to technical support personnel for software and hardware troubleshooting and monitoring of the health of a customer’s network, access to a sophisticated web-portal for managing the end-to-end hardware and software digital ecosystem, and hosting support services through our network operations center, or NOC. These services provide either physical or automated remote monitoring which support customer networks 7 days a week, 24 hours a day.

These contracts are generally 12-36 months in length and generally automatically renew for additional 12-month periods unless cancelled by the customer. Rates for maintenance and support contracts are typically established based upon a fee per location or fee per device structure, with total fees subject to the number of services selected. Revenue is recognized ratably and evenly over the term of the agreement. Maintenance and Support revenues are classified as “Managed Services” within our disaggregated revenue.

The Company also performs time and materials-based maintenance and repair work for customers. Revenue is recognized at a point in time when the performance obligation has been fully satisfied.

NOTE 5: BUSINESS COMBINATION

On November 12, 2021, the Company and Reflect entered into an Agreement and Plan of Merger (as amended on as amended on February 8, 2022, the “Merger Agreement”) pursuant to which a direct, wholly owned subsidiary of the Company, CRI Acquisition Corporation, or “Merger Sub,” would merge with and into Reflect, with Reflect becoming our wholly owned subsidiary, which transaction is referred to herein as the “Merger.” On February 17, 2022, the parties consummated the Merger.

Reflect provides digital signage solutions, including software, strategic and media services to a wide range of companies across the retail, financial, hospitality and entertainment, healthcare, and employee communications industries in North America. Reflect offers digital signage platforms, including ReflectView, a platform used by companies to power hundreds of thousands of active digital displays. Through its strategic services, Reflect assists its customers with designing, deploying and optimizing their digital signage networks, and through its media services, Reflect assists customers with monetizing their digital advertising networks.

Subject to the terms and conditions of the Merger Agreement, upon the closing of the Merger, Reflect stockholders as of the effective time of the Merger collectively received from the Company, in the aggregate, the following Merger consideration: (i) $16,166 payable in cash, (ii) 2,333,334 shares of common stock of Creative Realities (valued based on an issuance price of $2 per share) (the “CREX Shares”), (iii) the Secured Promissory Note (as described below), and (iv) supplemental cash payments (the “Guaranteed Consideration”), if any, payable on or after February 17, 2025 (subject to the Extension Option described below, the “Guarantee Date”), in an amount by which the value of the CREX Shares on such anniversary is less than $6.40 per share, or if certain customers of Reflect collectively achieve over 85,000 billable devices online at any time on or before December 31, 2022, is less than $7.20 per share (such applicable amount, the “Guaranteed Price”), multiplied by the amount of CREX Shares held by the Reflect stockholders on the Guarantee Date (subject to the Extension Option described below).

The Company may exercise an extension option (the “Extension Option”) to extend the Guarantee Date by six (6) months, from February 17, 2025 to August 17, 2025 if (i) the Extension Threshold Price is greater than or equal to 70% of the Guaranteed Price described above, and (ii) the Company provides written notice of its election to exercise the Extension Option no later than February 7, 2025. The “Extension Threshold Price” means the average closing price per share of Creative Realities Shares as reported on the Nasdaq Capital Market (or NYSE) in the fifteen (15) consecutive trading day period ending February 2, 2025. If the Extension Threshold Price is less than 80% of the Guaranteed Price, then the Guaranteed Price will be increased by $1.00 per share.

Retention Bonus Plan

On February 17, 2022, in connection with the closing of the Merger (the “Closing”), the Company adopted a Retention Bonus Plan, pursuant to which the Company is required to pay to key members of Reflect’s management team an aggregate of $1,333 in cash, which was paid 50% at the Closing, and subject to continuous employment with Reflect or Creative Realities, will be paid 25% on February 17, 2023 (the one-year anniversary of Closing) and 25% on February 17, 2024 (the two-year anniversary of the Closing). The future cash payments due on the one-year and two-year anniversaries of the Closing have been deposited into an escrow agreement. The Retention Bonus Plan also requires the Company to issue Common Stock having an aggregate value of $667 to the plan participants as follows: 50% of the value of such shares were issued at the Closing, and subject to continuous employment with Reflect or Creative Realities, 25% of the value of such shares will be issued on February 17, 2023 (the one-year anniversary of Closing) and the remaining 25% of the value of such shares will be issued on February 17, 2024 (the two-year anniversary of the Closing). The shares issued on the Closing were valued at $2.00 per share, and the shares to be issued after the Closing will be determined based on dividing the value of shares issuable on such date divided by the trailing 10-day volume weighted average price (VWAP) of the shares as of such date as reported on the Nasdaq Capital Market.

Upon the resignation of a participant's employment for "good reason," or termination of the employment of a participant without "cause," each as defined in the Retention Bonus Plan, the participant will be fully vested and will receive all cash and shares allocated to such participant under the Retention Bonus Plan. Any amounts unpaid by reason of a lapse in continuous employment or otherwise will be reallocated among the remaining Retention Bonus Plan participants.

Secured Promissory Note

On February 17, 2022, pursuant to the terms of the Merger, the Company issued to Stockholders' Representative a $2,500 Note and Security Agreement (the "Secured Promissory Note").

The Secured Promissory Note accrues interest at 0.59% (the applicable federal rate at the time of issuance of the Secured Promissory Note) and requires the Company and Reflect to collectively pay equal monthly principal installments of $104 on the fifteenth (15th) day of each month, commencing on March 15, 2022. Any remaining or unpaid principal shall be due and payable on February 17, 2023. All payments under the Secured Promissory Note will be paid to the escrow agent in the Merger Agreement to be placed into the escrow account to secure the former Reflect stockholders' indemnification obligations until released on February 17, 2023 (the one-year anniversary of the closing of the Merger), at which time any remaining proceeds not subject to a pending indemnification claim will be paid to the exchange agent for payment to the former Reflect stockholders. The obligations of the Company and Reflect set forth in the Secured Promissory Note are secured by a first-lien security interest in various contracts of Reflect, together with all accounts arising under such contracts, supporting obligations related to the accounts arising under such contracts, all related books and records, and products and proceeds of the foregoing. Slipstream subordinated its security interest in such collateral, and the recourse for any breach of the Secured Promissory Note by the Company or Reflect will be against such collateral.

The preliminary purchase price of Reflect consisted of the following items:

(in thousands)	**Consideration**	
Cash consideration for Reflect stock	$ 16,664	(1)
Cash consideration for Retention Bonus Plan	1,334	(2)
Common stock issued to Reflect stockholders	4,667	(3)
Common stock issued to Retention Bonus Plan	333	(4)
Secured Promissory Note	2,500	(5)
Earnout liability	10,862	(6)
Total consideration	36,360	
Vendor deposit with the Company	(818)	(7)
Cash acquired	(812)	(8)
Net consideration transferred	$ 34,730	

(1) Cash consideration for outstanding shares of Reflect capital stock per Merger Agreement.

(2) Cash consideration utilized to fund the Retention Bonus Plan per Merger Agreement.

(3) Company common stock issued in exchange for outstanding shares of Reflect capital stock per Merger Agreement.

(4) Company common stock issued to fund the Retention Bonus Plan per Merger Agreement.

(5) The Secured Promissory Note accrues interest at 0.59% (the applicable federal rate at the time of issuance of the Secured Promissory Note) and requires the Company and Reflect to collectively pay equal monthly principal installments of $104 on the fifteenth (15th) day of each month, commencing on March 15, 2022. Any remaining or unpaid principal shall be due and payable on February 17, 2023.

(6) Represents an estimate of the fair value of the Guaranteed Consideration as of the Merger, which, if any, is payable on or after February 17, 2025 (subject to the Extension Option), in an amount by which the value of the CREX Shares on such anniversary is less than $6.40 per share, or if certain customers of Reflect collectively achieve over 85,000 billable devices online at any time on or before December 31, 2022, is less than $7.20 per share (such applicable amount, the "Guaranteed Price"), multiplied by the amount of CREX Shares held by the Reflect stockholders on the Guarantee Date (subject to the Extension Option), subject to the terms of the Merger Agreement. During the nine months ended September 30, 2022, the Company's third party specialist completed valuation of this contingent liability as of the opening balance sheet date, resulting in a measurement period adjustment recorded to increase goodwill and the contingent liability as of February 17, 2022 by $5,262.

(7) Prior to the Merger, Reflect had engaged the Company on a project and paid the Company a deposit of $818. These amounts reduced consideration paid by the Company in accordance with ASC 805.

(8) Represents the Reflect cash balance acquired at Closing.

The Company incurred $16 and $444 of direct transaction costs related to the Reflect Merger for the three and nine months ended September 30, 2022, respectively. These costs are included in deal and transaction expense in the accompanying Condensed Consolidated Statement of Operations.

The Company accounted for the Merger using the acquisition method of accounting. The preliminary allocation of the purchase price is based on estimates of the fair value of assets acquired and liabilities assumed as of February 17, 2022. The Company is continuing to obtain information to determine the acquired assets and liabilities, including tax assets, liabilities and other attributes. The components of the preliminary purchase price allocation, inclusive of measurement period adjustments recorded by the Company during the nine months ended September 30, 2022, are as follows:

(in thousands)	**Total**
Accounts receivable	$ 1,300
Inventory	196
Prepaid expenses & other current assets	666
Property and equipment	96
Operating right of use assets	493
Other assets	36
Identified intangible assets:	
Definite-lived trade names	960
Definite-lived Developed technology	5,130
Definite-lived Customer relationships	11,040
Definite-lived Noncompete agreements	30
Goodwill	18,569
Accounts payable	(96)
Accrued expenses	(277)
Customer deposits	(1,661)
Deferred revenues	(1,259)
Current maturities of operating leases	(277)
Long-term obligations under operating leases	(216)
Net consideration transferred	$ 34,730

The Company engaged a third party valuation specialist to assist in the identification and calculation of the fair value of those separately identifiable intangible assets and recorded those assets based on an initial draft valuation report. The Company remains in process of reviewing the valuation report and finalizing its opening balance sheet accounting.

The Company completed its valuation procedures by asset utilizing the following approaches:

- Customer relationship asset was estimated using the income approach through a discounted cash flow analysis wherein the cash flows will be based on estimates used to price the Merger. Discount rates were benchmarked with reference to the implied rate of return from the Company's pricing model and the weighted average cost of capital.

- Trade name asset represents the "Reflect" brand name as marketed primarily as a full services digital software solution, marketed in numerous verticals with the exception of food service. The Company applied the income approach through an excess earnings analysis to determine the fair value of the trade name asset. The Company applied the income approach through a relief-from-royalty analysis to determine the fair value of this asset.

- The developed technology assets are primarily comprised of know-how and functionality embedded in Reflect's proprietary content management applications, which drive currently marketed products and services. The Company applied the income approach through a relief-from-royalty analysis to determine the preliminary fair value of this asset.

The Company is amortizing the identifiable intangible assets on a straight-line basis over the weighted average lives ranging from 2 to 10 years as outlined below.

The table below sets forth the preliminary valuation and amortization period of identifiable intangible assets:

(in thousands)		**Preliminary Valuation**	**Amortization Period**
Identifiable definite-lived intangible assets:			
Trade names	$	960	5 years
Developed technology		5,130	10 years
Noncompete		30	2 years
Customer relationships		11,040	10 years
Total	$	17,160	

The Company estimated the preliminary fair value of the acquired property, plant and equipment using a combination of the cost and market approaches, depending on the component. The preliminary fair value of such property, plant and equipment is $96.

The excess of the purchase price over the preliminary estimated fair value of the tangible net assets and identifiable intangible assets acquired was recorded as goodwill and is subject to change upon final valuation. The factors contributing to the recognition of the amount of goodwill are based on several strategic and synergistic benefits that are expected to be realized from the Merger. These benefits include a comprehensive portfolio of iconic customer brands, complementary product offerings, enhanced national footprint, and attractive synergy opportunities and value creation. None of the goodwill is expected to be deductible for income tax purposes.

The following unaudited pro forma information presents the combined financial results for the Company and Reflect as if the Merger had been completed at the beginning of the Company's prior year, January 1, 2021.

(in thousands, except earnings per common share)		**2021**
Net sales	$	30,680
Net income	$	799
Earnings per common share	$	0.06

The information above does not include the pro forma adjustments that would be required under Regulation S-X for pro forma financial information and does not reflect future events that may occur after December 31, 2021 or any operating efficiencies or inefficiencies that may result from the Merger and related financings. Therefore, the information is not necessarily indicative of results that would have been achieved had the businesses been combined during the periods presented or the results that the Company will experience going forward. We have not included disaggregated information for Reflect on a standalone basis in the current year for either revenue or net income as the integration activities undertaken by the Company have prevented this information from being useful to financial statement readers.

Reflect Systems, Inc. ***(in thousands)***	**Three Months Ended September 30, 2021**	**Nine Months Ended September 30, 2021**
Net sales	$ 2,966	$ 8,392
Net income/(loss)	$ 947	$ 825

NOTE 6: FAIR VALUE MEASUREMENT

We measure certain financial assets, including cash equivalents, at fair value on a recurring basis. In accordance with 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, 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.

As discussed in Note 5 *Business Combinations*, the calculation of the fair value of the Guaranteed Consideration contains inputs which are unobservable and involve management judgment and are considered Level 3 estimates. Additionally, the separately identifiable intangible assets rely on a discounted cash flow model which utilizes inputs including the calculation of the weighted average cost of capital and management's forecast of future financial performance which are unobservable and involve management judgment and are considered Level 3 estimates.

As discussed in Note 8 *Intangible Assets, Including Goodwill*, the calculation of the weighted average cost of capital and management's forecast of future financial performance utilized within our discounted cash flow model for the impairment of goodwill contains inputs which are unobservable and involve management judgment and are considered Level 3 estimates.

As discussed in Note 9 *Loans Payable*, the Convertible Loan was reported at fair value. This liability is deemed to be a Level 3 valuation. Certain unobservable inputs into the calculation of the fair value of this liability include an estimate of the fair value of the Company at a future date using a discounted cash flow model, discount rate assumptions, and an estimation of the likelihood of conversion of the Convertible Loan. The Convertible Loan was refinanced into the Consolidation Term Loan in February 2022.

As discussed in Note 12 *Warrants*, the calculation of the fair value of the warranty liability contains valuation inputs which are based on observable inputs (other than Level 1 prices) and are considered Level 2 estimates. The liability warrants were converted to equity warrants effective June 30, 2022.

NOTE 7: SUPPLEMENTAL CASH FLOW STATEMENT INFORMATION

	Nine Months Ended September 30,	
	2022	2021
Supplemental Cash Flow Information		
Investing activities not yet paid in cash:		
Capitalized software in accounts payable	$ 998	$ -
Cash paid during the period for:		
Interest	$ 835	$ -
Income taxes, net	$ 19	$ 23

NOTE 8: INTANGIBLE ASSETS, INCLUDING GOODWILL

Intangible Assets

Intangible assets consisted of the following at September 30, 2022 and December 31, 2021:

	September 30, 2022		December 31, 2021	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Technology platform	$ 9,765	$ 4,162	$ 4,635	$ 3,652
Purchased and developed software	4,415	3,199	3,488	2,713
In-Process internally developed software platform	3,600	-	824	-
Customer relationships	15,000	2,525	3,960	1,692
Non-compete	30	10	-	-
Trademarks and trade names	1,600	760	640	640
	34,410	10,656	13,547	8,697
Accumulated amortization	10,656		8,697	
Net book value of amortizable intangible assets	$ 23,754		$ 4,850	

On February 17, 2022, the Company added intangible assets as a result of accounting for the Merger in accordance with ASC 805 *Business Combinations*, as outlined in Note 5 *Business Combinations*.

For the three months ended September 30, 2022 and 2021, amortization of intangible assets charged to operations was $848 and $139, respectively. For the nine months ended September 30, 2022 and 2021 amortization of intangible assets charged to operations was $1,959 and $418, respectively.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is subject to an impairment review at a reporting unit level, on an annual basis as of the end of September of each fiscal year, or when an event occurs, or circumstances change that would indicate potential impairment. Following the Merger, the Company evaluated its reporting units in accordance with ASC 280 *Segment Reporting* and concluded that the Company has only one reporting unit. Therefore, the entire goodwill is allocated to that reporting unit.

The Company assessed the carrying value of goodwill at the reporting unit level based on an estimate of the fair value of its reporting unit. Fair value of the reporting unit was estimated using both (1) a market approach, leveraging recent industry merger and acquisition activity as well as comparable public company information, and (2) a discounted cash flow analyses consisting of various assumptions, including expectations of future cash flows based on projections or forecasts derived from analysis of business prospects and economic or market trends that may occur, specifically, the Company gave significant consideration to actual historic financial results, including revenue growth rates in the current and preceding three years, further informed by known backlog and customer acquisitions. Based on the Company's assessment, we determined that the fair value of our reporting unit exceeds its carrying value, and accordingly, the goodwill associated with the reporting unit is not considered to be impaired at September 30, 2022.

The Company recognizes that any changes in our actual fourth quarter 2022 or projected 2023 results could potentially have a material impact on our assessment of goodwill impairment. The Company will continue to monitor the actual performance of its operations against expectations and assess indicators of possible impairment. The valuation of goodwill and intangible assets is subject to a high degree of judgment, uncertainty and complexity. Should any indicators of impairment occur in subsequent periods, the Company will be required to perform an analysis in order to determine whether goodwill is impaired.

While our overall business performance has been consistent with our expectations, both before and after the acquisition of Reflect, we believe a significant portion of the decline in our market price relates primarily to several macroeconomic factors including: (1) market wide recessionary fears, (2) rapid inflation fears, which often have an outsized, direct negative impact on the share price of high-growth companies with limited or negative cash flow from operations, (3) a lack of comprehension by the markets of the recent Merger with Reflect and related financing transaction, and (4) the sale of over 7,000,000 shares of our common stock into the market by a new investor, resulting in significant negative volume and price pressure on the stock unrelated to the Company fundamentals. We do not believe these factors are consistent with or reflective of the underlying value of the business, and there were no other indicators of potential impairment as of September 30, 2022. Should our market price remain at this level for an extended period of time, however there could be potential future impairment.

Based on the relatively recent decline in our share price and market capitalization, along with improving Company fundamentals following our Merger with Reflect and a share price that was substantially higher upon announcing that Merger mere months ago, we believe our implied fair value continues to exceed our total carrying value. There were no other indications of impairment as of September 30, 2022.

NOTE 9: LOANS PAYABLE

The outstanding debt with detachable warrants, as applicable, are shown in the table below. Further discussion of the debt follows.

As of September 30, 2022

Debt Type	Issuance Date	Principal	Maturity Date	Warrants	Interest Rate Information
A	2/17/2022	$ 10,000	2/15/2025	2,500,000	8.0% interest[1]
B	2/17/2022	1,777	2/17/2023	-	0.59% interest[2]
C	2/17/2022	7,185	2/15/2025	2,694,495	10.0% interest[3]
	Total debt, gross	18,962		5,194,495	
	Debt discount	(3,433)			
	Total debt, net	$ 15,529			
	Less current maturities	(2,176)			
	Long term debt	$ 13,353			

As of December 31, 2021

Debt Type	Issuance Date	Principal	Maturity Date	Warrants	Interest Rate Information
D	8/17/2016	$ 4,767	2/17/2025	588,236	8.0% interest[4]
E	12/30/2019	2,418	2/17/2025	-	10.0% interest[4]
	Total debt, gross	7,185		588,236	
	Fair value (B)	(166)			
	Total debt, gross	$ 7,019			
	Debt discount	(144)			
	Total debt, net	$ 6,875			
	Less current maturities	-			
	Long term debt	$ 6,875			

A – Acquisition Loan
B – Reflect Seller Secured Promissory Note
C – Consolidation Term Loan
D – Term Loan with related party
E – Secured Convertible Special Loan Promissory Note, at fair value

(1) 8.0% cash interest per annum through maturity at February 15, 2025.
(2) 0.59% cash interest per annum (the applicable federal rate) through maturity at February 17, 2023.
(3) 10.0% cash interest per annum through maturity at February 15, 2025.
(4) Interest was paid-in-kind ("PIK") through October 2021, at which point interest became payable in cash at the stated interest rates through maturity.

SBA Paycheck Protection Program Loan

On April 27, 2020, the Company entered into a Promissory Note with Old National Bank (the "Promissory Note"), which provided for an unsecured loan of $1,552 (the "PPP Loan") pursuant to the Paycheck Protection Program under the Coronavirus Aid, Relief, and Economic Security Act and applicable regulations (the "CARES Act"). The Promissory Note had a term of two years with a 1% per annum interest rate.

On January 11, 2021, the Company received a notice from Old National Bank that the full principal amount of the PPP Loan and the accrued interest have been forgiven, resulting in a gain of $1,552 during the nine months ended September 30, 2021.

Secured Promissory Note

On February 17, 2022, in connection with the closing of the Merger, the Company issued to RSI Exit Corporation ("Stockholders' Representative"), the representative of Reflect stockholders, a $2,500 Note and Security Agreement (the "Secured Promissory Note").

The Secured Promissory Note accrues interest at 0.59% per annum (the applicable federal rate on the date of issuance of the Secured Promissory Note) and requires the Company and Reflect to collectively pay equal monthly principal installments of $104 on the fifteenth (15th) day of each month, commencing on March 15, 2022. Any remaining or unpaid principal shall be due and payable on February 17, 2023. All payments under the Secured Promissory Note will be paid to the escrow agent in the Merger Agreement to be placed into the escrow account to secure the Reflect stockholders' indemnification obligations until released on February 17, 2023 (the one-year anniversary of the closing of the Merger), at which time any remaining proceeds not subject to a pending indemnification claim will be paid to the exchange agent for payment to the Reflect Stockholders. The Secured Promissory Note is secured by a first-lien security interest in certain contracts of Reflect, including obligations arising out of those certain contracts.. The Company has the right to offset amounts payable under the Secured Promissory Note upon a final, non-appealable decision of a court that entitles the Company or its affiliates to any damages for indemnification under the Merger Agreement, or the Stockholders' Representative's agreement in writing to such damages.

Second Amended and Restated Loan and Security Agreement

On February 17, 2022, the Company and its subsidiaries (collectively, the "Borrowers") refinanced their debt facilities with Slipstream Communications, LLC ("Slipstream"), pursuant to a Second Amended and Restated Credit and Security Agreement (the "Credit Agreement"). The Borrowers include Reflect Systems, Inc. ("Reflect"), which became a wholly owned subsidiary of the Company as a result of the closing of the Merger on February 17, 2022. The debt facilities continue to be fully secured by all assets of the Borrowers.

The Credit Agreement also provides that the Company's outstanding loans from Slipstream at December 31, 2021, consisting of its pre-existing $4,767 senior secured term loan and $2,418 secured convertible loan, with an aggregate of $7,185 in outstanding principal and accrued and unpaid interest under such loans, were consolidated into a term loan (the "Consolidation Term Loan"). The Consolidation Term Loan has an interest rate of 10.0%, with 75.0% warrant coverage (or 2,694,495 warrants). On the first day of each month, commencing March 1, 2022 through February 1, 2025, the Borrowers will make interest-only payments on the Consolidation Term Loan (estimated to be $60 per monthly payment). Commencing on September 1, 2023, and on the first day of each month thereafter until the Maturity Date, the Borrowers will make a payment on the Consolidation Term Loan, in an equal monthly installment of principal sufficient to fully amortize the Consolidation Term Loan in eighteen equal installments (estimated to be $399 per monthly installment). The Company assessed the combination of the pre-existing senior secured term loan and secured convertible loan in accordance with ASC 470 *Debt* and determined the transaction should be accounted for as an extinguishment, in part as the Consolidation Term Loan eliminated a substantive conversion feature. In aggregate the Company recorded a loss on extinguishment of $295, primarily associated with the write-off of pre-existing debt discounts.

In addition to refinancing the existing debt with Slipstream, the Company issued to Slipstream a $10,000, 36-month senior secured term loan (the "Acquisition Loan") resulting in $10,000 in gross proceeds, or $9,950 in net proceeds. The Acquisition Loan matures on February 17, 2025 (the "Maturity Date") and has an interest rate of 8.0%, with 50.0% warrant coverage (or 2,500,000 warrants). On the first day of each month, commencing March 1, 2022 through February 1, 2025, the Borrowers will make interest-only payments on the Acquisition Loan (estimated to be $67 per monthly payment). No principal payments on the Acquisition Loan are payable until the Maturity Date.

In connection with the Acquisition Loan and Consolidation Term Loan warrant coverage, the Company issued to Slipstream a warrant to purchase an aggregate of 5,194,495 shares of Company common stock (the "Lender Warrant"). The Lender Warrant has a five-year term, an initial exercise price of $2.00 per share, subject to adjustments in the Lender Warrant, and is not exercisable until August 17, 2022. The warrants were assessed in accordance with ASC 470 and ASC 815 *Derivatives* and were deemed to represent bifurcated derivative instruments that should be recorded as liabilities in the Condensed Consolidated Balance Sheets. The Company performed a Black-Scholes valuation of the warrants as of the issuance date, resulting in a fair value of $0.8129 per warrant. In recording the warrant liability, the Company recorded a debt discount associated with each of the Acquisition and Consolidation Term Loans in an amount of $2,032 and $2,190, respectively. These amounts are being amortized straight-line through interest expense over the life of the loans, resulting in incremental interest expense of $363 and $904 during the three and nine months ended September 30, 2022, respectively. The Company has deemed straight-line amortization to be materially consistent with the effective interest method.

In certain circumstances, upon a fundamental transaction of the Company (e.g., a disposal or sale of all or the greater part of the assets or undertaking of the Company, an amalgamation or merger with another company, or implementation of a scheme of arrangement), the holder of the Lender Warrant will have the right to require the Company to repurchase the Lender Warrant at its fair value using a Black Scholes option pricing formula; provided that such holder may not require the Company or its successor entity to repurchase the Lender Warrant for the Black Scholes value in connection with a fundamental transaction that is not approved by the Company's Board of Directors, and therefore not within the Company's control.

Effective June 30, 2022, the Company amended the terms of the Lender Warrant to remove the holder's option to exercise such warrant on a cashless basis utilizing the volume weighted average price ("VWAP") of the Company's common stock on the trading day immediately preceding the date of a notice of cashless exercise in certain circumstances, and remove the condition to exercising such warrant that the Company's shareholders approve the exercise thereof (which has already been obtained). The amendments to the Lender Warrant also extend the term of such warrants for an additional one year, such that the Lender Warrant will expire on February 17, 2028. The foregoing amendments to the Lender Warrant such warrants to be accounted for as equity instruments on the Company's financial statements.

Loan and Security Agreement History

Ninth, Tenth, Eleventh, Twelfth, and Thirteenth Amendment; Modification of Conversion Date of Special Loan under Loan and Security Agreement

Prior to the execution of the Credit Agreement, Borrower and Slipstream were parties to a Loan and Security Agreement. On March 7, 2021, On February 28, 2021, January 31, 2021, December 31, 2020, November 30, 2020, and September 29, 2020, the parties entered into several amendments to the Loan and Security Agreement to amend the automatic conversion date of the Special Loan and, later, to eliminate the conversion feature. Each amendment extended the automatic conversion date of the Special Loan. The Company paid no fees in exchange for these extensions, with the exception of the March 7, 2021 extension which resulted in the Company recording of $133 of incremental debt discount, a net gain of $26 via the extinguishment of the Special Loan, and expense of $69 of costs incurred with third parties as a result of extinguishment of the Special Loan, modification of the New Term Loan, and extinguishment of the Disbursed Escrow Loan.

Secured Disbursed Escrow Promissory Note

The Fourth Amendment to the Loan and Security Agreement included entry into a Secured Disbursed Escrow Promissory Note between the Company and Slipstream, and, effective June 30, 2018, we drew $264 in conjunction with our exit from a previously leased operating facility. The principal amount of the Secured Disbursed Escrow Promissory Note bore no interest. Upon entry into an amendment to the Loan and Security Agreement on March 7, 2021, this note was converted into Disbursed Escrow Conversion Shares, with elimination of the debt recorded as an equity issuance within the Statement of Shareholders Equity during the nine months ended September 30, 2021.

Term Loan (2022)

On October 31, 2022, the Borrowers and Slipstream amended the Credit Agreement to provide the Borrowers with a $2,000 term loan, the net proceeds of which are being used by the Company to accelerate an active software development project with potential to expand SaaS revenues associated with an existing customer.

The term loan has an annual interest rate of 12.5% and matures on September 1, 2023. Commencing on February 1, 2023, the Borrowers will make monthly installment payments of approximately $270 until the maturity date, consisting of principal and interest sufficient to fully amortize the term loan through the maturity date.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Litigation

On August 2, 2019, the Company filed suit in Jefferson Circuit Court, Kentucky, against a supplier of the Company's wholly owned subsidiary, Allure Global Solutions, Inc. ("Allure") for breach of contract, breach of warranty, and negligence with respect to equipment installations performed by such supplier for an Allure customer. Due to delays on account of the COVID-19 pandemic, this case remains in the early stages of litigation, and, as a result, the outcome of each case is unclear, so the Company is unable to reasonably estimate the possible recovery, or range of recovery, if any.

On October 10, 2019, the Allure customer that is the basis of our claim above sent a demand to the Company for payment of $3,200 as settlement for an alleged breach of contract related to hardware failures of equipment installations performed by Allure between November 2017 and August 2018. The suits filed by and against Allure have been adjoined in the Jefferson Circuit Court, Kentucky in January 2020. An attempt to mediate the litigation is in process as of the filing date of this Report.

The Company has notified its insurance company on notice of potential claims and continues to evaluate both the claim made by the customer and potential avenues for recovery against third parties should the customer prevail.

Except as noted above, the Company is not party to any other material legal proceedings, other than ordinary routine litigation incidental to the business, and there were no other such proceedings pending during the period covered by this Report.

Settlement of obligations

There were no individually material settlements during the nine months ended September 30, 2022.

During the nine months ended September 30, 2021, (i) the full principal amount of the PPP Loan and the accrued interest of $1,552 were forgiven and recorded as a gain on settlement, (ii) the Company settled repayment obligations tied to an Amended and Restated Seller Note (the “Seller Note”) and related accrued interest for $100, recording a gain on settlement of $1,624, representing $1,538 related to the Seller Note and $86 of related interest thereon, and (iii) the statute of limitations passed related to the remaining liability on a lease abandoned by the Company in 2015, resulting in a gain of $256.

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 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. Based on the history of losses of the Company, there continues to be a full valuation allowance against the net deferred tax assets of the Company with a definite life.

As of September 30, 2022, we reported tax liability of $0. As of September 30, 2022, the net deferred tax assets totaled $0 after valuation allowance, consistent with December 31, 2021.

NOTE 12: WARRANTS

A summary of outstanding warrants is included below:

	Warrants (Equity)		
	Amount	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance December 31, 2021	4,103,211	$ 4.48	1.73
Warrants issued	5,851,505	1.535	5.00
Warrants exercised	(5,851,505)	1.535	4.86
Warrants expired	(196,079)	3.48	-
Warrants reclassified	13,761,000	1.63	4.36
Balance September 30, 2022	17,668,132	$ 2.20	3.62

	Warrants (Liability)		
	Amount	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance December 31, 2021	-	$ -	-
Warrants issued	13,761,000	1.63	5.00
Warrants expired	-	-	-
Warrants reclassified	(13,761,000)	1.63	(5.00)
Balance September 30, 2022	-	$ -	-

On February 3, 2022, the Company entered into a Securities Purchase Agreement with a purchaser (the "Purchaser"), pursuant to which the Company agreed to issue and sell to the Purchaser, in a private placement priced at-the-market under Nasdaq rules, (i) 1,315,000 shares (the "Shares") of the Company's common stock, par value $0.01 per share (the "Common Stock") and accompanying warrants to purchase an aggregate of 1,315,000 shares of Common Stock, and (ii) pre-funded warrants to purchase up to an aggregate of 5,851,505 shares of Common Stock (the "Pre-Funded Warrants") and accompanying warrants to purchase an aggregate of 5,851,505 shares of Common Stock (collectively, the "Private Placement"). The accompanying warrants to purchase Common Stock are referred to herein collectively as the "Common Stock Warrants." Under the Securities Purchase Agreement, each Share and accompanying warrants to purchase Common Stock were sold together at a combined price of $1.535, and each Pre-Funded Warrant and accompanying warrants to purchase Common Stock were sold together at a combined price of $1.5349, for gross proceeds of approximately $11,000, before deducting placement agent fees and estimated offering expenses payable by the Company. During the three months ended March 31, 2022, each of the Pre-Funded Warrants were exercised. The Common Stock Warrants expired five years from the date of issuance. The Company evaluated the Pre-Funded Warrants and concluded that they met the criteria to be classified within stockholders' equity, with proceeds recorded as common stock and additional paid-in-capital. The Company evaluated the Common Stock Warrant and concluded they did not meet the criteria to be classified within stockholders' equity. The Common Stock Warrant included provisions which could result in a different settlement value for the Common Stock Warrant depending on the registration status of the underlying shares. Because these conditions were not an input into the pricing of a fixed-for-fixed option on the Company's ordinary shares, the Common Stock Warrant was not considered to be indexed to the Company's own stock. The Company recorded these warrants as liabilities on the consolidated balance sheets at fair value, with subsequent changes in their respective fair values recognized in the consolidated statements of operations at each reporting date. At the date of issuance, the Company performed a Black-Scholes valuation of the warrants, resulting in a fair value of $1.0927 per warrant. At June 30, 2022, the Company reassessed the fair value of these warrants via Black Scholes valuation methodology and determined that the fair value of these warrants was $0.4019 per warrant, resulting in the Company recording a gain on the fair value of these warrants of $4,951 in the Condensed Consolidated Statement of Operations for the nine months ended September 30, 2022, respectively.

On February 17, 2022, in connection with the Credit Agreement with Slipstream, the Company issued to Slipstream 5,194,495 warrants with an exercise price of $2.00 per share, which expire five years from the date of issuance (the "Lender Warrant"). These warrants are not exercisable until 180 days after the issuance date. The common shares underlying these warrants have not yet been registered for resale under the Securities Act of 1933, which provides Slipstream with an option for cashless exercise once the warrant becomes exercisable until such time as such registration occurs. The Lender Warrant expired five years from the date of issuance. The Company evaluated the Lender Warrant and concluded that it did not meet the criteria to be classified within stockholders' equity. The Lender Warrant included provisions that could result in a different settlement value for the Lender Warrant depending on the registration status of the underlying shares. Because these conditions were not an input into the pricing of a fixed-for-fixed option on the Company's ordinary shares, the Lender Warrant was not considered to be indexed to the Company's own stock. The Company recorded these warrants as liabilities on the consolidated balance sheets at fair value, with subsequent changes in their respective fair values recognized in the consolidated statements of operations at each reporting date. At the date of issuance, the Company performed a Black-Scholes valuation of the warrants, resulting in a fair value of $0.8129 per warrant. In recording the warrant liability, the Company recorded an increase in debt discount in the Condensed Consolidated Balance Sheet associated with the issuance of the warrants of $4,223, which is being amortized through interest expense in the Condensed Consolidated Statement of Operations over the life of the Acquisition and Consolidation Term Loans. At June 30, 2022, the Company reassessed the fair value of these warrants via Black Scholes valuation methodology and determined that the fair value of these warrants was $0.3699 per warrant, resulting in the Company recording a gain on the fair value of these warrants of $2,302 in the Condensed Consolidated Statement of Operations for the nine months ended September 30, 2022, respectively.

On February 17, 2022, in connection with obtaining a waiver of certain restrictions in investment documents between an investor and the Company in order to consummate the financing contemplated by the Credit Agreement, the Company paid consideration to such investor in the form of a warrant (the "Purchaser Warrant") to purchase 1,400,000 shares of Company common stock in an at-the-market offering under Nasdaq rules. The number of shares of Company common stock subject to the Purchaser Warrant is equal to the waiver fee ($175) divided by $0.125 per share. The exercise price of the Purchaser Warrant is $1.41 per share, and the Purchaser Warrant is not exercisable until August 17, 2022. The Purchaser Warrant expired five years from the date of issuance. The Company evaluated the Purchaser Warrant and concluded that it did not meet the criteria to be classified within stockholders' equity. The Purchaser Warrant included provisions which could result in a different settlement value for the Purchaser Warrant depending on the registration status of the underlying shares. Because these conditions were not an input into the pricing of a fixed-for-fixed option on the Company's ordinary shares, the Purchaser Warrant was not considered to be indexed to the Company's own stock. The Company recorded these warrants as liabilities on the consolidated balance sheets at fair value, with subsequent changes in their respective fair values recognized in the consolidated statements of operations at each reporting date. At the date of issuance, the Company performed a Black-Scholes valuation of the Purchaser Warrant, resulting in a fair value of $0.8656 per warrant. In recording the warrant liability, the Company recorded an expense in the Condensed Consolidated Statement of Operations associated with the issuance of the Purchaser Warrant of $1,211. At June 30, 2022, the Company reassessed the fair value of the Purchase Warrant via Black Scholes valuation methodology and determined that the fair value of the Purchaser Warrant was $0.4017 per warrant, resulting in the Company recording a gain on the fair value of the Purchaser Warrant of $650 in the Condensed Consolidated Statement of Operations for the nine months ended September 30, 2022, respectively.

Effective June 30, 2022, the Company amended the terms of the Common Stock Warrant (7,166,505 warrants), Lender Warrant (5,194,495 warrants) and Purchaser Warrant (1,400,000 warrants). The amendments to such warrants removes the holder's option to determine the value of such warrants utilizing the volume weighted average price ("VWAP") of the Company's common stock on the trading day immediately preceding the date of a notice in a cashless exercise, and removes the condition to exercising such warrants that the Company's shareholders approve the exercise thereof (which has already been obtained). The amendments to the warrants also extend the term of such warrants for an additional one year, such that the Common Stock Warrant will expire on February 3, 2028, and the Lender Warrant and Purchaser Warrant will expire on February 17, 2028.

As a result of the extension in term provided in exchange for the amendment, the Company reassessed the fair value of each of the Common Stock, Lender and Purchaser Warrants, resulting in the Company recording a loss on the fair value of these warrants of $345 in the Condensed Consolidated Statement of Operations for the nine months ended September 30, 2022. The foregoing amendments to the warrants resulted in such warrants to be accounted for as equity instruments on the Company's financial statements as of June 30, 2022. As such, following recording the gains and losses with respect to these warrant amendments, the Company reclassified the warrant liability of $5,709 from noncurrent liabilities to additional paid-in-capital as of June 30, 2022. These amounts are reflected as additional paid-in-capital in the Condensed Consolidated Balance Sheet as of September 30, 2022.

NOTE 13: STOCK-BASED COMPENSATION

A summary of outstanding options is included below:

Time Vesting Options

Range of Exercise Prices between	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$0.01 - $1.00	-	-	$ -	-	$ -
$1.01 - $2.00	25,000	7.11	$ 1.88	16,667	$ 1.88
$2.01+	1,963,675	7.22	4.29	1,320,342	$ 3.81
	1,988,675	7.22	$ 3.34	1,337,009	

Performance Vesting Options

Range of Exercise Prices between	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$0.01 - $1.00	-	-	$ -	-	$ -
$1.01 - $2.00	-	-	$ -	-	$ -
$2.01+	720,000	7.67	2.53	240,000	$ 2.53
	720,000	7.67	$ 2.53	240,000	

Market Vesting Options

Range of Exercise Prices between	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
$0.01 - $1.00	1,900,000	2.39	$ 1.00	-	$ -
$1.01 - $2.00	-	-	$ -	-	$ -
$2.01+	-	-	-	-	$ -
	1,900,000	2.39	$ 1.00	-	

	Market Vesting Options		*Time Vesting Options*		*Performance Vesting Options*	
Date/Activity	**Options Outstanding**	**Weighted Average Exercise Price**	**Options Outstanding**	**Weighted Average Exercise Price**	**Options Outstanding**	**Weighted Average Exercise Price**
Balance, December 31, 2021	-	-	2,068,809	$ 3.48	800,000	$ 2.53
Granted	1,900,000	1.00	-	-	-	-
Exercised	-	-	-	-	-	-
Forfeited or expired	-	-	(80,134)	2.79	(80,000)	2.53
Balance, September 30, 2022	1,900,000	1.00	1,988,675	3.34	720,000	$ 2.53

The weighted average remaining contractual life for options exercisable is 7.0 years as of September 30, 2022.

Valuation Information for Stock-Based Compensation

For purposes of determining estimated fair value under FASB ASC 718-10, *Stock Compensation*, the Company computed the estimated fair values of stock options using the Black-Scholes model.

Amendment to Performance Options

On June 1, 2020, Rick Mills, CEO, and Will Logan, CFO, were issued ten-year options to purchase 480,000 and 240,000 shares of common stock (the "Performance Options"), respectively, which vest in equal installments over a three-year period (2020-2022), subject to satisfying the Company revenue target and EBITDA (earnings before interest, taxes, depreciation and amortization) targets for the applicable year. In each of calendar years 2020, 2021 and 2022, one-third of the total shares may vest (if the revenue and EBITDA targets are met), and the shares that are subject to vesting each year are allocated equally to each of the revenue and EBITDA targets for such year. The Performance Options includes a catch-up provision, where any options that did not vest during a prior year due to the Company's failure to meet a prior revenue or EBITDA target may vest in a subsequent vesting year if the revenue or EBITDA target, as applicable, is met in the future year.

On June 15, 2022, the Board approved of an amendment to the Performance Options to provide that the revenue target for the calendar year 2022 set forth therein ($38,000) is eliminated, and the remaining shares that are available for vesting under the Performance Options (320,000 unvested shares for Mr. Mills and 160,000 for Mr. Logan) (including the unvested portions of shares based on the satisfaction of the revenue targets for 2020 and 2021 by virtue of the catch-up provisions in the Performance Options) will fully vest upon the achievement of an updated EBITDA target for calendar year 2022 of $3,600.

The Performance Options state that the calculation of EBITDA set forth in the Performance Options shall be calculated in a form consistent with the Company's 2022 approved budget, which

(i) excludes any impact on EBITDA of:

(a) the accounting treatment (including any "mark-to-market accounting") of the Company's warrants or the "Guaranteed Consideration" (as defined in the Merger Agreement),

(b) non-recurring transaction expenses associated with the Merger and the capital raising financing activities of the Company to effectuate the Merger, and

(c) any write-down or write-off of any Company inventory of Safe Space Solutions products.

(iii) includes deductions related to any cash or stock bonuses paid or payable to any employees of the Company for services provided in calendar year 2022 (even if such bonuses are actually paid after calendar year 2022), including bonuses paid pursuant to the terms of the 2022 Cash Bonus Plan (as described below) (collectively, the “EBITDA Calculations”).

The exercise price of the foregoing options is $2.53 per share, the closing price of the Company’s common stock on the date of issuance. The options were issued from the 2014 Stock Incentive Plan. The fair value of the options on the grant date was $1.87 and was determined using the Black-Scholes model. These values were calculated using the same weighted average assumptions as the time vesting options issued. Performance against the identified EBITDA target is assessed quarterly by the Company in order to determine whether any compensation expense should be recorded.

During the three and nine months ended September 30, 2022, the Company deemed it probable that the Company would achieve the EBITDA target for calendar year 2022 and recorded compensation expense in the Condensed Consolidated Statement of Operations with respect to these awards of $225 and $624, respectively, net of a benefit of $50 recorded for forfeiture of awards for the nine months ended September 30, 2022. The remaining awards have not yet vested and are subject to actual results for the full calendar year 2022. Should this target not be achieved, amounts recorded as expense in the Condensed Consolidated Statement of Operations would be reversed.

Issuance of New Options

On June 15, 2022, Messrs. Mills and Logan received ten-year options to purchase 1,000,000 and 600,000 shares of common stock, respectively (the “New Options”). The New Options are eligible to vest at any time on or prior to February 17, 2025 if the trailing 10-trading day volume-weighted average price (“VWAP”) of the Company’s common stock, as reported on the Nasdaq Capital Market, exceeds the share price targets below, subject to such executive serving the Company as a director, officer, employee or consultant at such time:

	Share Price Targets						
Executive	**$2.00**	**$3.00**	**$4.00**	**$5.00**	**$6.00**	**Guaranteed Price**	**Total Shares**
Mills Shares Vested	50,000	100,000	150,000	200,000	250,000	250,000	1,000,000
Logan Shares Vested	30,000	60,000	90,000	120,000	150,000	150,000	600,000
Percentage of Shares Vested	5%	10%	15%	20%	25%	25%	

The “Guaranteed Price” has the meaning ascribed to such term in the Merger Agreement, which means $6.40 per share, or $7.20 per share if, and only if, certain customers set forth in the Merger Agreement collectively achieve over 85,000 billable devices online at any time on or before December 31, 2022.

The exercise price of the New Options is $1.00 per share, which exceeds the closing price of the Company’s common stock on the date of issuance. The New Options are issued from the Company’s 2014 Stock Incentive Plan, as amended. An additional 300,000 options with identical market vesting restrictions were issued to non-executives during the nine months ended September 30, 2022.

The fair value of the options on the grant date varied between $0.21 and $0.37 per award as determined using the Monte Carlo model. These values were calculated using the following weighted average assumptions:

Risk-free interest rate	3.30%
Expected term	2.68 years
Expected price volatility	123.53%
Dividend yield	0%

At September 30, 2022, the Company evaluated the probability of achieving the share price targets in each tranche based, in part, on work performed by the Company's third party valuation specialist in conjunction with evaluating the equity guarantee contingent liability. As a result of that evaluation of probability, during the three and nine months ended September 30, 2022 the Company recorded $3 and $4 of compensation expense, respectively. These awards have not yet vested and are subject to actual share price performance through February 2025. Should any target not be achieved, any amounts recorded as expense in the Condensed Consolidated Statement of Operations related to that tranche would be reversed.

Stock Compensation Expense Information

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 12,001 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. In August 2018, a special meeting of shareholders was held in which the shareholders voted to amend the Company's 2014 Stock Incentive Plan to increase the reserve of shares authorized for issuance thereunder, from 7,390,355 shares to 18,000,000 shares. Following a 1-for-30 reverse stock split, the shares authorized for issuance under the Company's 2014 Stock Incentive Plan was reduced to 600,000. On July 10, 2020, the Company's shareholders approved an amendment to the Company's 2014 Stock Incentive Plan to increase the reserve of authorized for issuance thereunder to 6,000,000.

Employee Awards

Compensation expense recognized for the issuance of stock options, inclusive of stock options subject to both performance and market conditions for vesting, for the three and nine months ended September 30, 2022 of $538 and $1,487, respectively, was included in general and administrative expense in the Condensed Consolidated Financial Statements. Compensation expense recognized for the issuance of stock options, inclusive of stock options subject to both performance and market conditions for vesting, for the three and nine months ended September 30, 2021 of $331 and $1,177, respectively, was included in general and administrative expense in the Condensed Consolidated Financial Statements. Amounts recorded include stock compensation expense for awards granted to directors of the Company in exchange for services at fair value.

As of September 30, 2022, there was approximately $685, $477, and $225 of total unrecognized compensation expense related to unvested share-based employee awards with time vesting, market, and performance vesting criteria, respectively. As of September 30, 2021, there was approximately $1,609 and $1,078 of total unrecognized compensation expense related to unvested share-based awards with time vesting and performance vesting criteria, respectively. Generally, expense related to the time vesting options will be recognized over the next two- and one-half years and will be adjusted for any future forfeitures as they occur. Compensation expense related to performance vesting options will be recognized if it becomes probable that the Company will achieve the identified performance metrics.

Non-Employee Awards

The Company engages certain consultants to perform services in exchange for Company common stock. Shares issued for services were calculated based on the ten (10) day volume weighted average price ("VWAP") for the last ten (10) days during the month of service provided.

During the three and nine months ended September 30, 2022, the Company issued or accrued shares issuable in exchange for services in the amount of $30 and $100, respectively. During the three and nine months ended September 30, 2021, the Company issued or accrued shares issuable in exchange for services in the amount of $30 and $70, respectively.

NOTE 14: SIGNIFICANT CUSTOMERS/VENDORS

Significant Customers

We had two (2) and two (2) customers that in the aggregate accounted for 27.5% and 41.1% of accounts receivable as of September 30, 2022 and December 31, 2021, respectively.

We had two (2) and two (2) customer that accounted for 36.1% and 45.9% of revenue for the three months ended September 30, 2022, and 2021, respectively. We had three (3) and two (2) customer that accounted for 49.2% and 40.1% of revenue for the nine months ended September 30, 2022 and 2021, respectively.

Significant Vendors

We had two (2) and three (3) vendors that accounted for 46.2% and 69.1% of outstanding accounts payable at September 30, 2022 and December 31, 2021, respectively.

NOTE 15: LEASES

We have entered into various non-cancelable operating lease agreements for certain of our offices and office equipment. Our leases have original lease periods expiring between 2022 and 2027. Many leases include one or more options to renew. We do not assume renewals in our determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease costs, lease term and discount rate are as follows:

(in thousands)	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Finance lease cost		
Amortization of right-of-use assets	$ -	$ 4
Interest	-	-
Operating lease cost	256	236
Total lease cost	$ 256	$ 240
Weighted Average Remaining Lease Term		
Operating leases	3.3 years	3.1 years
Weighted Average Discount Rate		
Operating leases	10.0%	10.0%

The following is a schedule, by years, of maturities of lease liabilities as of September 30, 2022:

(in thousands)	Operating Leases
The remainder of 2022	$ 184
2023	756
2024	459
2025	456
Thereafter	198
Total undiscounted cash flows	2,053
Less imputed interest	$ (217)
Present value of lease liabilities	$ 1,836

Supplemental cash flow information related to leases are as follows:

(in thousands)	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases, net	$ 256	$ 184
Operating cash flows from finance leases	-	4
Financing cash flows from finance leases	-	(4)

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,” “projects,” should,” “may,” “propose,” and similar expressions (or the negative versions of such words or 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, and many of which are beyond our control. Factors that could cause actual results to differ materially from those anticipated are set forth under the caption “Risk Factors” in the Company’s Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on March 22, 2022.

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. (“Creative Realities,” “we,” “us,” or the “Company”) transforms environments through digital solutions by providing innovative digital signage solutions for key market segments and use cases, including:

- Retail
- Entertainment and Sports Venues
- Restaurants, including quick-serve restaurants (“QSR”)
- Convenience Stores
- Financial Services
- Automotive
- Medical and Healthcare Facilities
- Mixed Use Developments
- Corporate Communications, Employee Experience
- Digital out of Home (DOOH) Advertising Networks

We serve market-leading companies, so there is a good chance that if you leave your home today to shop, work, eat or play, you will encounter one or more of our digital signage experiences. Our solutions are increasingly visible because we help our enterprise customers achieve a range of business objectives including:

- Increased brand awareness
- Improved customer support
- Enhanced employee productivity and satisfaction
- Increased revenue and profitability
- Improved guest experience
- Increased customer/guest engagement
- Improved patient outcomes

Through a combination of organically grown platforms and a series of strategic acquisitions, including our recent acquisition of Reflect Systems, Inc. in February 2022, the Company assist clients to design, deploy, manage, and monetize their digital signage networks. The Company sources leads and opportunities for its solutions through its digital and content marketing initiatives, close relationships with key industry partners, specifically equipment manufacturers, and the direct efforts of its in-house industry sales experts. Client engagements focus on consultative conversations that ensure the Company's solutions are positioned to help clients achieve their business objectives in the most cost-effective manner possible.

When comparing Creative Realities to other digital signage providers, our customers value the following competitive advantages:

- **Breadth of solutions** – Creative Realities is one of only a few companies in the industry capable of providing the full portfolio of products and services required to implement and run an effective digital signage network. We leverage a 'single vendor' approach, providing clients with a one-stop-shop for sourcing digital signage solutions from design through day two services.

- **Managed labor pool** – Unlike most companies in our industry, we have a curated labor pool including thousands of qualified and vetted field technicians available to service clients quickly nationwide. We can meet tight schedules even in exceptionally large deployments and still ensure quality and consistency.

- **In-house creative resources** – We assist clients in repurposing existing content for digital signage experiences or creating new content, an activity for which the Company has won several design awards in recent years. In each instance, our services can be essential in helping clients develop an effective content program.

- **Network scalability and reliability** – Our software as a service ("SaaS") content management platforms power some of the largest and most complex digital signage networks in North America evidencing our ability to manage enterprise scale projects. This also provides us purchasing power to source products and services for our customers, enabling us to deliver cost effective, reliable and powerful solutions to small and medium size business clients.

- **Ad management platform** – Our customers are increasingly interested in monetizing their digital signage networks through advertising content. However, efficiently scheduling advertising content into digital signage playlists to meet campaign objectives can be a challenging and labor-intensive process. AdLogic, our home-grown, content management-agnostic platform, automates this process, allowing network owners to capture more revenue with less expense.

- **Media sales** – Few, if any other digital signage solution providers, can offer their clients media sales as a service. We have in-house media sales expertise to elevate conversations with clients interested in better understanding network monetization. We believe this meaningful differentiation in the sales process provides an additional revenue stream to Creative Realities compared to our competitors.

- **Market sector expertise** – Creative Realities has in-house experts in key market segments such as automotive, retail, quick-serve restaurants (QSR), convenience stores, and Digital Out of Home (DOOH) advertising. Our expertise in these business segments enables our teams to provide meaningful business conversations and offer tailored solutions with prospects and customers to their unique business objectives. These experts build industry relationships and create thought leadership that drives lead flow and new opportunities for our business.

- **Logistics** – Implementing a large digital signage project can be a logistics nightmare that can stall an initiative even before deployment. Our expertise in logistics improves deployment efficiency, reduces delays and problems, and saves customers time and money.

- **Technical support** – Digital signage networks present unique challenges for corporate IT departments. Creative Realities helps simplify and improve end user support by leveraging our own Network Operations Center ("NOC") in Louisville, Kentucky. The NOC resolves many issues remotely and when field support is required, it can be dispatched from the NOC, leveraging our managed labor pool to resolve customer issues quickly and effectively.

- **Integrations and Application Development** – The future of digital signage is not still images and videos on a screen. Interactive applications and integrations with other data sources will dominate the future. From social media feeds to corporate data stores to Point of Sale ("POS") systems, our proven ability to build scalable applications and integrations is a key advantage clients can leverage to deliver more compelling and engaging experiences for their customers.

- **Hardware support** – A number of digital signage providers sell a proprietary media player or align themselves with just one operating system. We utilize a range of media players including Windows, Android and BrightSign to provide clients the flexibility they need to select the appropriate hardware for any application knowing the entire network can still be served by a single digital signage platform, reducing complexity and improving the productivity of their teams.

The three primary sources of revenue for the Company are:

- Hardware sales from reselling digital signage hardware from original equipment manufacturers such as Samsung and BrightSign.

- Services revenue from helping customers design, deploy and manage their digital signage network, including:

  - Hardware system design/engineering

  - Hardware installation

  - Content development

  - Content scheduling

  - Post-deployment network and field support

  - Media sales, as a result of our acquisition of Reflect

- Recurring subscription licensing and support revenue from our digital signage software platforms, which are generally sold via a SaaS model. These include:

  - **ReflectView**, the Company’s core digital signage platform for most applications, scalable and cost effective from 10 to 100,000+ devices

  - **Reflect Xperience**, a web-based interface that allows customers to give content scheduling access to local users via the web or mobile devices, while still maintaining centralized programming control

  - **Reflect AdLogic**, the Company’s ad management platform for digital signage networks, which presently delivers approximately 50 million ads daily

  - **Reflect Clarity**, the Company’s menu board solution, which has become a market leader for a range of restaurant and convenience store applications

  - **Reflect Zero Touch**, which allows customers to turn any screen into an interactive experience by allowing guests to engage using their mobile device

  - **iShowroomProX**, an omni-channel digital sales support platform targeted at original equipment manufacturers in the transportation sector, which integrates with dozens of key data services including dealer inventory at the VIN level

  - **OSx+**, a digital VIN-level checklist used to assist in the tracking and delivery of new vehicles in the transportation sector, providing measurable lift in customer satisfaction scores and connected vehicle enrollments and subscription activations.

While hardware sales and support services revenues can fluctuate more significantly year over year based on new, large-scale network deployments, the Company expects to see continuous growth in recurring SaaS revenue for the foreseeable future as digital signage adoption/utilization continues to expand across the vertical markets we serve.

Recent Developments

Please see Note 5 *Business Combinations*, Note 9 *Loans Payable*, Note 12 *Warrants*, and Note 13 *Stock-based Compensation* to the Company’s Condensed Consolidated Financial Statements contained in this Report for a description of recent developments of the Company that occurred during, and subsequent to, the three and nine months ended September 30, 2022.

Our Sources of Revenue

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

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 *Summary of Significant Accounting Policies* of the Company's Condensed Consolidated Financial Statements included elsewhere in this Report. The Company's Condensed 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 condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Our actual results could differ from those estimates.

Results of Operations

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

Three Months Ended September 30, 2022 Compared to Three Months Ended September 30, 2021

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

	For the three months ended September 30,		Change	
	2022	2021	$	%
Sales	$ 11,180	$ 4,753	$ 6,427	135%
Cost of sales	6,666	2,406	4,260	177%
Gross profit	4,514	2,347	2,167	92%
Sales and marketing expenses	718	330	388	118%
Research and development expenses	238	226	12	5%
General and administrative expenses	2,847	1,848	999	54%
Depreciation and amortization expense	885	347	538	155%
Deal and transaction expense	110	-	110	100%
Total operating expenses	4,798	2,751	2,047	74%
Operating loss	(284)	(404)	120	-30%
Other income/(expenses):				
Interest expense	(757)	(186)	(571)	307%
Gain on settlement of debt	37	256	(219)	-86%
Change in fair value of equity guarantee	442	-	442	100%
Other income/(expense)	(2)	(8)	6	-75%
Total other income/(expense)	(280)	62	(342)	-552%
Net (loss) before income taxes	(564)	(342)	(222)	65%
Benefit/(provision) for income taxes	10	(1)	11	-1,100%
Net loss	$ (554)	$ (343)	(211)	62%

Sales

Sales were $11,180, representing an increase of $6,427, or 135%, as compared to the same period in 2021, driven in part by the acquisition of Reflect via the Merger on February 17, 2022, and the Company's successful sales activities as a combined company post-Merger. While the addition of Reflect revenue is contributing to the growth in revenue, the combined company grew revenues approximately $3,463, or 45%, organically during the three months ended September 30, 2022, as compared to the pro forma combined results during the three months ended September 30, 2021.

Hardware revenues were $5,015 in 2022, an increase of $2,800, or 126%, as compared to the prior year, driven by continued large scale LED deployments continued in the quarter by multiple customers. Services and other revenues were $6,165 in the three months ended September 30, 2022, an increase of $3,627, or 143%, with the inclusion of Reflect's operations in the Company's consolidated results for such period. Managed services revenue, which includes both software-as-a-service ("SaaS") and help desk technical subscription services, were $3,900 in the three months ended September 30, 2022 as compared to $1,444 in the same period in 2021, driven by the addition of Reflect's SaaS subscription revenue in the current year. This represents a year-over-year growth rate of 170% in our higher margin, typically subscription-based, managed services revenue.

Gross Profit

Gross profit increased by $2,167, or 92% during the three months ended September 30, 2022 as compared to the same period in 2021 driven by an increase in revenue but offset by a reduction in gross profit margin. Gross profit margin decreased to 40.4% from 49.4% driven by less favorable revenue mix during the three months ended September 30, 2022 related to several material customer hardware rollouts during the year that had a lower gross profit margin than our software services. We expect this contraction in gross profit margin to be less severe as we move beyond 2022. We believe the gross profit margin for the three months ended September 30, 2021 to be more representative of our normalized, long-term gross profit margins.

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. Sales and marketing expenses increased by $388, or 118%, driven primarily by (i) the acquisition of Reflect via the Merger on February 17, 2022, and (ii) the Company's enhanced investments into sales and marketing activities post-COVID-19 pandemic. Immediately following the Merger, the Company integrated the sales and marketing functions and did not disaggregate expenses between the two legacy companies. Following the Merger and through integration activities, the Company adopted certain tools, technology, and processes – particularly with respect to lead generation and brand marketing – that were undercapitalized historically by the Company. Additionally, the Company engaged an investor relations firm and has increased investor relations activities, including conferences and presentations. As a result, we expect the sales and marketing expenses of the Company for the three months ended September 30, 2022 to adequately reflect the pace for spend in these areas in future reporting periods.

Research and Development Expenses

Research and development expenses generally include personnel and development tools costs associated with the continued development of the Company's content management systems and other related application development. Research and development increased by $12, or 5%, in the three months ended September 30, 2022 as compared to the same period in 2021. The prior year included a benefit of $49 related ERC, resulting in a net reduction in research and development expenses year over year for the three months ended September 30, 2022. Through the Merger, we acquired a fully staffed, experienced software development team and elected to keep that team in-tact, particularly given employment market conditions with respect to talented software engineers. We have integrated the pre-existing CRI development team with the acquired team and have experienced enhanced speed to market on new feature and functionality development activities from increasing this resource pool. The Company's gross spending on research and development activities has increased in the current year as a result, however, the capitalized portion of those activities has also increased specifically related to the increased investment into development and enhancement of specific products, features, and functionality associated with our customer acquisition strategy in key vertical markets. We expect an elevated level of expense throughout the remainder of 2022 and 2023 as we develop our current and future product set.

General and Administrative Expenses

General and administrative expenses increased $999, or 54%, driven primarily by (i) the inclusion in the prior year of a benefit of $186 related to ERC, and (ii) increased headcount and operations as a result of the acquisition of Reflect via the Merger on February 17, 2022. While the Company anticipates carrying higher general and administrative expenses moving forward as a result of the acquisition and subsequent expansion in organic revenues, the Company continues to execute integration activities (including but not limited to consolidation of CMS tools, cloud hosting environments, IT tools, and rightsizing leases for office space) that we expect will be realized by the end of 2022 and into 2023. The Company also reinstituted its 401k matching program for employees in the fourth quarter of 2021, which represents an increase of $52 versus the prior year, and launched several investor relations initiatives, increasing spend $81 in the three months ended September 30, 2022 versus the prior year.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased $538, or 155%, in the three months ended September 30, 2022 compared to the same period in 2021. This was driven by the addition of $17,160 in amortizing intangible assets as a result of the Merger.

Interest Expense

See Note 9 *Loans Payable* to the Condensed Consolidated Financial Statements for a discussion of the Company's debt and related interest expense obligations.

Changes in Fair Value of Equity Guarantee

The Company has contingent consideration arrangements related to certain acquisitions to potentially pay additional cash amounts in future periods based on the lack of achievement of certain share price performance goals of our common stock. Such contingent consideration arrangements are recorded at fair value and are classified as liabilities on the acquisition date and are remeasured at each reporting period in accordance with ASC 805-30-35-1 using a Monte Carlo simulation model. The change in the period represents the mark-to-market adjustment as of the balance sheet date.

Nine Months Ended September 30, 2022 Compared to Nine Months Ended September 30, 2021

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

	For the Nine Months Ended September 30,		Change	
	2022	2021	$	%
Sales	$ 32,860	$ 13,034	$ 19,826	152%
Cost of sales	19,792	6,578	13,214	201%
Gross profit	13,068	6,456	6,612	102%
Sales and marketing expenses	2,572	834	1,738	208%
Research and development expenses	897	455	442	97%
General and administrative expenses	8,105	5,623	2,482	44%
Bad debt (recovery)/expense	164	(463)	627	-135%
Depreciation and amortization expense	2,060	1,035	1,025	99%
Deal and transaction expenses	538	-	538	100%
Total operating expenses	14,336	7,484	6,852	92%
Operating loss	(1,268)	(1,028)	(240)	23%
Other income/(expenses):				
Interest expense	(1,956)	(617)	(1,339)	217%
Change in fair value of warrant liability	7,902	-	7,902	100%
Change in fair value of equity guarantee	369	-	369	100%
Change in fair value of Convertible Loan	-	166	(166)	100%
Loss on debt waiver consent	(345)	-	(345)	-100%
Loss on warrant amendment	(1,212)	-	(1,212)	-100%
Gain/(loss) on settlement of debt	(237)	3,449	(3,686)	-107%
Other income/(expense)	3	(7)	10	-143%
Total other income	4,524	2,991	1,533	51%
Net income before income taxes	3,256	1,963	1,293	66%
Provision from income taxes	(46)	(9)	(37)	411%
Net income	$ 3,210	$ 1,954	1,256	64%

Sales

Sales were $32,860, representing an increase of $19,826, or 152%, as compared to the same period in 2021 driven in part by the acquisition of Reflect via the Merger on February 17, 2022, and the Company's successful sales activities as a combined company post-Merger. While the addition of Reflect revenue is contributing to the growth in revenue, the combined company has grown revenues approximately $11,435, or 53%, organically during the nine months ended September 30, 2022, as compared to the pro forma combined results during the nine months ended September 30, 2021.

Hardware revenues were $17,141 in 2022, an increase of $10,814, or 171%, as compared to the prior year, driven by large scale LED deployments by multiple customers. Services and other revenues were $15,719 in the nine months ended September 30, 2022, an increase of $9,012, or 134%, with the inclusion of Reflect's operations in the Company's consolidated results for such period. Managed services revenue, which includes both software-as-a-service ("SaaS") and help desk technical subscription services, were $10,435 in the nine months ended September 30, 2022 as compared to $4,174 in the same period in 2021, driven by the addition of Reflect's SaaS subscription revenue in the current year. This represents a year-over-year growth rate of 150% in our higher margin, typically subscription-based, managed services revenue.

Gross Profit

Gross profit increased by $6,612, or 102% during the nine months ended September 30, 2022 as compared to the same period in 2021 driven by an increase in revenue but offset by a reduction in gross profit margin. Gross profit margin decreased to 39.8% from 49.5% driven by revenue mix during the three months ended September 30, 2022 related to several material customer hardware rollouts active during the first half of the year that had a lower gross profit margin than our software services. We expect this contraction in gross profit margin to be less severe as we move beyond 2022.

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. Sales and marketing expenses increased by $1,738, or 208%, driven primarily by (i) the inclusion in the prior year of a benefit of $232 related Employee Retention Credits ("ERC") related to the retention and payment of salaries to sales personnel throughout 2020 and the six months ended June 30, 2021, (ii) the acquisition of Reflect via the Merger on February 17, 2022, and (iii) the Company's enhanced investments into sales and marketing activities post-COVID-19 pandemic. Immediately following the Merger, the Company integrated the sales and marketing functions and did not disaggregate expenses between the two legacy companies. Following the Merger and through integration activities, the Company adopted certain tools, technology, and processes – particularly with respect to lead generation and brand marketing – that were undercapitalized historically by the Company. Additionally, the Company engaged an investor relations firm and has increased investor relations activities, including conferences and presentations. As a result, we expect the sales and marketing expenses of the Company for the nine months ended September 30, 2022 to adequately reflect the pace for spend in these areas in future reporting periods.

Research and Development Expenses

Research and development expenses generally include personnel and development tools costs associated with the continued development of the Company's content management systems and other related application development. Research and development increased by $442, or 97%, in the nine months ended September 30, 2022 as compared to the same period in 2021, driven primarily by (i) the inclusion in the prior year of a benefit of $196 related ERC, and (ii) the acquisition of Reflect via the Merger on February 17, 2022. Through the Merger, we acquired a fully staffed, experienced software development team and elected to keep that team in-tact, particularly given employment market conditions with respect to talented software engineers. We have integrated the pre-existing CRI development team with the acquired team and have experienced enhanced speed to market on new feature and functionality development activities from increasing this resource pool. We expect this elevated level of expense during the nine months ended September 30, 2022 to continue into the future as we develop our current and future product set.

General and Administrative Expenses

General and administrative expenses – excluding bad debt expense – increased $2,482, or 44%, driven primarily by (i) the inclusion in the prior year of a benefit of $694 related ERC, and (ii) increased headcount and operations as a result of the acquisition of Reflect on February 17, 2022. While the Company anticipates carrying higher G&A expenses moving forward as a result of the acquisition and subsequent expansion in organic revenues, the Company continues to execute integration activities (including but not limited to consolidation of CMS tools, cloud hosting environments, IT tools, and rightsizing leases for office space) that we expect will be realized by the end of 2022 and into 2023. The Company also reinstituted its 401k matching program for employees in the fourth quarter of 2021, which represents an increase of $120 versus the prior year, and launched several investor relations initiatives, increasing spend $300 for the nine months ended September 30, 2022 versus the prior year.

Bad Debt

Expenses related to the Company's allowance for bad debts increased by $627, or (135%) for the nine months ended September 30, 2022 compared to 2021. This increase was primarily driven by a prior period cash recovery of $555 related to a customer bankruptcy for which the Company previously recorded a reserve. The bad debt expense recorded for the nine months ended September 30, 2022 is representative of the Company's actual history with uncollectable accounts receivable.

Depreciation and Amortization Expenses

Depreciation and amortization expenses increased by $1,025, or 99%, in 2022 compared to 2021. This was driven by the addition of $17,160 in amortizing intangible assets as a result of the Merger.

Interest Expense; Change in fair value of Convertible Loan

See Note 9 *Loans Payable* to the Condensed Consolidated Financial Statements for a discussion of the Company's debt and related interest expense obligations.

As of September 30, 2021, we updated our fair value analysis of the Convertible Loan, resulting in recognition of a $166 during the nine months ended September 30, 2021.

Changes in Fair Value of Warrant Liability

During the nine months ended September 30, 2022, the Company recorded a gain of $7,902 as the result of assessing the fair value of warrant liabilities associated with the Company's issuance of warrants in its debt and equity offerings completed in February 2022 to finance the Merger. These warrants were initially assessed at fair value through Black Scholes calculation and were subsequently re-assessed at March 31, 2022 and June 30, 2022, resulting in the gain.

Effective June 30, 2022, the Company amended the terms of certain warrants previously issued to its creditor and an investor, which removed the holder's option to exercise such warrants on a cashless basis utilizing the VWAP of the Company's common stock on the trading day immediately preceding the date of a notice of cashless exercise in certain circumstances, and removed the condition to exercising such warrants that the Company's shareholders approve the exercise thereof (which has already been obtained). The amendments to the warrants extended the term of such warrants for an additional one year. As a result of the extension in term provided in exchange for the amendment, the Company reassessed the fair value of those warrants, resulting in the Company recording a loss on the fair value of these warrants of $345. The foregoing amendments to the warrants resulted in such warrants to be accounted for as equity instruments on the Company's financial statements as of June 30, 2022. As such, following recording the gains and losses with respect to these warrant amendments, the Company reclassified the warrant liability of $5,709 from noncurrent liabilities to additional paid-in-capital as of June 30, 2022.

Loss on Debt Waiver

On February 17, 2022, in connection with obtaining a waiver of certain restrictions in investment documents between an investor and the Company in order to consummate the financing contemplated by the Credit Agreement, the Company paid consideration to such investor in the form of a warrant (the "Purchaser Warrant") to purchase 1,400,000 shares of Company common stock in an at-the-market offering under Nasdaq rules. The number of shares of Company common stock subject to the Purchaser Warrant is equal to the waiver fee ($175) divided by $0.125 per share. The exercise price of the Purchaser Warrant is $1.41 per share, and the Purchaser Warrant is not exercisable until August 17, 2022. The Purchaser Warrant expires five years from the date of issuance. At the date of issuance, the Company performed a Black-Scholes valuation of the Purchaser Warrant, resulting in a fair value of $0.8656 per warrant. In recording the warrant liability, the Company recorded an expense in the Condensed Consolidated Statement of Operations associated with the issuance of the Purchaser Warrant of $1,211.

Loss on Warrant Amendment

Effective June 30, 2022, the Company amended the terms of the Common Stock Warrant (7,166,505 warrants), Lender Warrant (5,194,495 warrants) and Purchaser Warrant (1,400,000 warrants). The amendments to such warrants removed the holder's option to determine the value of such warrants utilizing the volume weighted average price ("VWAP") of the Company's common stock on the trading day immediately preceding the date of a notice in a cashless exercise, and removed the condition to exercising such warrants that the Company's shareholders approve the exercise thereof (which had already been obtained). The amendments to the warrants also extended the term of such warrants for an additional one year, such that the Common Stock Warrant will expire on February 3, 2028, and the Lender Warrant and Purchaser Warrant will expire on February 17, 2028. As a result of the extension in term provided in exchange for the amendment, the Company reassessed the fair value of each of the Common Stock, Lender and Purchaser Warrants, resulting in the Company recording a loss on the fair value of these warrants of $345.

Gain on Settlement of Debt

On February 17, 2022, the Company refinanced its debt facilities with Slipstream. The Company assessed the combination of the pre-existing senior secured term loan and secured convertible loan in accordance with ASC 470 *Debt* and determined the transaction should be accounted for as an extinguishment, in part as the Consolidation Term Loan eliminated a substantive conversion feature. In aggregate the Company recorded a loss on extinguishment of $295, primarily associated with the write-off of pre-existing debt discounts.

On January 11, 2021, the Company received a notice from Old National Bank regarding forgiveness of the loan in the principal amount of $1,552 (the "PPP Loan") that was made pursuant to the Small Business Administration Paycheck Protection Program under the Coronavirus Aid, Relief and Economic Security Act of 2020. According to such notice, the full principal amount of the PPP Loan and the accrued interest have been forgiven, resulting in a gain of $1,552 during the nine months ended September 30, 2021.

On May 13, 2021, the Company and seller of Allure ("Seller") entered into a settlement agreement wherein neither party admitted liability, and the Company agreed to pay, and Seller agreed to accept, $100 as settlement in full for the outstanding balance of principal and accrued interest under the Seller Note and a mutual release of all claims related to the Seller Note and Allure sale transaction under the Purchase Agreement and all related agreements.

As a result of this settlement, the full principal amount of the Seller Note and the accrued interest have been eliminated, resulting in a gain in the Condensed Consolidated Financial statements of $1,624, representing $1,538 related to the Seller Note and $86 of related interest thereon, during the nine months ended September 30, 2021.

Summary Unaudited Quarterly Financial Information

The following represents unaudited financial information derived from the Company's quarterly financial statements:

	Quarters Ended				
Quarters ended	**September 30 2022**	**June 30 2022**	**March 31 2022**	**December 31 2021**	**September 30 2021**
GAAP net income (loss)	$ (554)	$ 1,262	$ 2,502	$ (1,722)	$ (343)
Interest expense:					
Amortization of debt discount	363	360	181	29	29
Other interest, net	394	390	268	160	158
Depreciation/amortization:					
Amortization of intangible assets	848	431	680	302	320
Amortization of employee share-based awards	456	316	469	324	329
Depreciation of property, equipment	37	37	27	27	27
Income tax expense/(benefit)	(10)	53	3	13	1
EBITDA	$ 1,534	2,849	4,130	(867)	$ 521
Adjustments					
(Gain)/loss on fair value of warrant liability	-	(2,433)	(5,469)	-	-
(Gain)/loss on settlement of obligations	(37)	(21)	295	-	(256)
(Gain)/loss on debt waiver consent	-	-	1,212	-	-
(Gain)/loss on warrant amendment	-	345	-	-	-
(Gain)/loss on fair value of equity guarantee	(442)	73	-	-	-
Deal and transaction expenses	110	37	391	518	-
Other income	2	1	(6)	-	-
Stock-based compensation – Director grants	82	82	82	318	27
Adjusted EBITDA	$ 1,249	933	635	(31)	$ 292

Liquidity and Capital Resources

See Note 1 *Nature of Organization and Operations* to the accompanying Condensed Consolidated Financial Statements for a detailed discussion of liquidity and financial resources.

Operating Activities

The cash used in operating activities were $1,050 for the nine months ended September 30, 2022 compared to $367 for the same period in 2021. We produced net income of $3,210. Following the Merger, our business has significantly expanded, particularly with respect to managed services revenue. Other than net income, cash provided by operating activities was driven by growth of $1,019 of deferred revenue and $533 of accrued expenses, combined with a reduction in prepaid assets of $682, partially offset by an expansion of accounts receivable and inventory of $2,835 and $1,032, respectively.

Investing Activities

Net cash used in investing activities during the nine months ended September 30, 2022 was $20,268 compared to $432 during the same period in 2021. The use of cash in the current year was driven by (1) completion of the Merger and (2) continued investments in our software platforms. We currently do not have any material commitments for capital expenditures as of September 30, 2022; however, we anticipate continued elevated capital expenditures in excess of historical trends through second quarter of 2023 as we complete the modernization and internationalization of our automotive platform in an effort to capture incremental SaaS-based revenue contracts.

Financing Activities

Net cash provided by financing activities during the nine months ended September 30, 2022 was $19,254 compared to $1,745 for the same period in 2021. The increase is the result of the Company's completion of the Equity Financing and the Debt Financing (each as described in Note 1 *Nature of Organization and Operations* to the accompanying Condensed Consolidated Financial Statements) in the period to facilitate the Merger, which provided net cash of $10,109 and $9,868, respectively, reduced by $723 as a result of repayments of principal on the Seller Note.

Off-Balance Sheet Arrangements

During the three and nine months ended September 30, 2022, we did not engage in any off-balance sheet arrangements set forth in Item 303(a)(4) of Regulation S-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act"), as of the end of the period covered by this report. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of September 30, 2022, and designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended September 30, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None.

Item 1A. Risk Factors

As a smaller reporting company, we are not required to provide the information required by this Item; however, the discussion of our business and operations should be read together with the Risk Factors set forth in our Annual Report on Form 10-K filed with the SEC on March 10, 2021 and subsequent filings made with the SEC. Such risks and uncertainties have the potential to affect our business, financial condition, results of operations, cash flow, strategies or prospects in a material and adverse manner.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

None.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On October 31, 2022, the Company and its subsidiaries (collectively, the "Borrowers") amended their Second Amended and Restated Loan and Security Agreement (the "Credit Agreement") with their lender, Slipstream Communications, LLC ("Slipstream"). The amendment provides the Borrowers with a $2 million term loan, the net proceeds of which are being used by the Company to accelerate an active software development project with potential to expand SaaS revenues associated with an existing customer by as much as $5 million annually beginning as early as January 2024.

The term loan has an annual interest rate of 12.5% and matures on September 1, 2023. Commencing on February 1, 2023, the Borrowers will make monthly installment payments of approximately $270,000 until the maturity date, consisting of principal and interest sufficient to fully amortize the term loan through the maturity date.

The foregoing descriptions of the amendment and term loan are not complete descriptions thereof and are qualified in their entireties by reference to the full text of the First Amendment to Second Amended and Restated Loan and Security Agreement and Term Note (2022) filed as Exhibits 10.4 and 10.5 to this Quarterly Report on Form 10-Q, which are incorporated herein by reference.

Item 6. Exhibits

Exhibit No.	Description
10.1	Lender Warrant dated June 30, 2022 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the SEC on July 7, 2022).
10.2	Investor Warrant dated June 30, 2022 (7,166,505 shares) (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K filed with the SEC on July 7, 2022).
10.3	Investor Warrant dated June 30, 2022 (1,400,000 shares) (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K filed with the SEC on July 7, 2022).
10.4	First Amendment to Second Amended and Restated Loan and Security Agreement*
10.5	Term Note (2022)*
31.1	Chief Executive Officer Certification pursuant to Exchange Act Rule 13a-14(a).
31.2	Chief Financial Officer Certification pursuant to Exchange Act Rule 13a-14(a).
32.1	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350.
32.2	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350.
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema.
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* 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.

	Creative Realities, Inc.	
Date: November 14, 2022	By	/s/ Richard Mills
		Richard Mills Chief Executive Officer
	By	/s/ Will Logan
		Will Logan Chief Financial Officer

FIRST AMENDMENT
TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT

This FIRST AMENDMENT TO SECOND AMENDED AND RESTATED LOAN AND SECURITY AGREEMENT dated as of October 31, 2022 (this "**Amendment**") to the Second Amended and Restated Loan and Security Agreement dated as of February 17, 2022 (as, restated, supplemented, modified or otherwise changed from time to time, the "**Loan Agreement**"), is by and among Creative Realities, Inc., a Minnesota corporation ("**CRI**"), Creative Realities Canada, Inc., an Ontario corporation ("**CRCI**"), Allure Global Solutions, Inc., a Georgia corporation ("**AGSI**") and Reflect Systems, Inc., a Delaware corporation ("**Reflect**" and together with CRI, CRCI and AGSI, each a "**Borrower**" and collectively, referred to herein as the "**Borrowers**"), and Slipstream Communications, LLC, an Anguillan limited liability company (the "**Lender**"). All terms used herein that are defined in the Loan Agreement and not otherwise defined herein shall have the respective meanings assigned to them in the Loan Agreement.

A. Borrowers have requested that Lender make an additional $2,000,000.00 term loan to Borrowers to provide additional working capital to the Borrowers.

B. Lender is willing to make the additional working capital loan to Borrowers pursuant to the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Borrowers and the Lender, intending to be legally bound, hereby agree as follows:

1. **Definitions**. Capitalized terms set forth in this Amendment and not defined herein have the meanings set forth in the Loan Agreement. In addition, the following terms are hereby added or amended in Schedule A to the Loan Agreement:

"**First Amendment**" means that certain First Amendment to Second Amended and Restated Loan Agreement dated as of October 31, 2022, by and between the Borrowers and the Lender.

"**First Amendment Effective Date**" shall have the meaning set forth in the First Amendment.

"**Loan**" means, as applicable, each loan made in Section 1 of the Loan Agreement and "**Loans**" means all of such loans collectively.

"**Loan Rate**" means (i) with respect to the Consolidation Term Loan, a fixed rate equal to ten percent (10.0%) *per annum*; (ii) with respect to the 2022 Acquisition Term Loan, a fixed rate equal to eight percent (8.0%) *per annum;* and (iii) with respect to the Term Loan (2022), a fixed rate equal to twelve and one-half of one percent (12.5%) *per annum*.

"**Maturity Date**" means (i) with respect to the Term Loan (2022), September 1, 2023, and with respect to the Consolidation Term Loan and the 2022 Acquisition Term Loan, February 15, 2025.

2. **Term Loan (2022)**. Section 1.3A is hereby added to the Loan Agreement, as follows:

1.3A **Term Loan (2022).** Subject to the terms and conditions of this Agreement, Lender hereby agrees to make a single Advance on the date of the First Amendment to the Borrowers under a term loan (the "**Term Loan (2022)**") in the principal amount equal to Two Million and No/100 Dollars ($2,000,000.00). Amounts repaid under the Term Loan (2022) may not be reborrowed. The Term Loan (2022) shall be evidenced by a promissory note in form and substance acceptable to the Lender (the "**Term Note (2022)**"). Subject to the terms and conditions of this Agreement on the First Amendment Effective Date, Lender shall make the Term Loan (2022) pursuant to that certain Instruction Letter dated the First Amendment Effective Date by CRI and acknowledged and agreed by Lender.

3. **Payments**. Section 1.10 of the Loan Agreement is hereby deleted in its entirety and replaced with the following:

1.10 **Payments**. Borrowers hereby jointly and severally promise to pay the amounts outstanding under the Loans as follows:

(a) ***Cash Interest Only***. Commencing on March 1, 2022 and on the first day of each month, up to and including February 1, 2025, Borrowers shall make a payment of any accrued and unpaid interest on the Loans (other than the Term Loan (2022)) to Lender in cash.

(c) ***Principal and Interest***. Commencing on (i) with respect to the Term Loan (2022), February 1, 2023 and the first day of each month thereafter until the Maturity Date of the Term Loan (2022), Borrowers shall make a payment on the Term Loan (2022) in equal monthly installments of principal sufficient to fully amortize the Term Loan (2022), and (ii) September 1, 2023, and on the first day of each month thereafter until the Maturity Date, Borrowers shall make a payment on the Consolidation Term Loan, in an equal monthly installment of principal sufficient to fully amortize the Consolidation Term Loan in eighteen equal installments, together with accrued and unpaid interest (in the case of (i) and (ii), above), with each principal payment.

(d) ***Payment in full at Maturity***. On the Maturity Date of each Loan, Borrowers shall pay all outstanding principal remaining on such Loan together with any accrued and unpaid interest related thereto.

If any interest or any other payment to Lender under this Agreement becomes due and payable on a day other than a Business Day, such payment date shall be extended to the next succeeding Business Day.

4. **Negative Covenants**. Section 5 of the Loan Agreement is hereby amended by deleting “or” at the end of clause (f), replacing the period at the end of clause (g) with “; or” and adding a new clause (h) which reads as follows:

(h) enter into any agreement, contract or other binding instrument with respect to any of the foregoing set forth in this Section 5.

5. **Representations and Warranties**. Borrowers hereby represent and warrant to Lender as follows:

(a) ***Representations and Warranties; No Event of Default***. The representations and warranties herein, in Article 3 of the Loan Agreement and in each other Loan Document, certificate or other writing delivered by or on behalf of Borrowers to the Lender pursuant to this Amendment, the Loan Agreement or any other Loan Document on or prior to the date of this Amendment are true and correct in all material respects (except that such materiality qualifier shall not be applied to any representations or warranties that already are qualified or modified as to “materiality” or “Material Adverse Effect” in the text thereof, which representations and warranties shall be true and correct in all respects subject to such qualification) on and as of the date of this Amendment as though made on and as of such date (unless such representations or warranties (after taking into account this Amendment) are stated to relate to an earlier date, in which case such representations and warranties shall be true and correct on and as of such earlier date in all material respects (except that such materiality qualifier shall not be applicable to any representations or warranties that already are qualified or modified as to “materiality” or “Material Adverse Effect” in the text thereof, which representations and warranties shall be true and correct in all respects subject to such qualification) , provided however the representations and warranties contained in Sections 3.8, 3.11 and 3.12 are also true and correct in all material respects as of the First Amendment Effective Date except that such materiality qualifier shall not be applicable to any representations or warranties that already are qualified or modified as to “materiality” or “Material Adverse Effect” in the text thereof, which representations and warranties shall be true and correct in all respects subject to such qualification), and no Default or Event of Default has occurred and is continuing as of the date of this Amendment or would result from the execution, delivery and performance of the obligations under the Loan Agreement as amended hereby.

(b) ***Authorization, Etc***. The execution, delivery and performance by Borrowers of this Amendment and the other Loan Documents being executed concurrently herewith, and the performance of the Loan Agreement, as amended hereby, and the other Loan Documents, (i) have been duly authorized by all necessary action, (ii) do not and will not contravene any of the governing documents of any Borrower or any applicable Requirement of Law, (iii) do not and will not contravene any Contractual Obligation binding on or otherwise affecting any Borrower or any of its properties (except for those the conflict with which could not reasonably be expected to result in a Material Adverse Effect), (iv) do not and will not result in or require the creation of any Lien (other than pursuant to any Loan Document) upon or with respect to any properties of any Borrower, and (v) do not and will not result in any default, noncompliance, suspension, revocation, impairment, forfeiture or non-renewal of any permit, license, authorization or approval applicable to its operations or any of its properties, except in each case to the extent that such default, noncompliance, contravention, suspension, revocation, impairment, forfeiture or non-renewal could not reasonably be expected to result in a Material Adverse Effect.

(c) ***Enforceability of Loan Documents***. This Amendment, the Loan Agreement as amended by this Amendment, and each other Loan Document to which any Borrower is or will be a party, when delivered hereunder, will be, a legal, valid and binding obligation of such Person, enforceable against such Person in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws and by general principles of equity .

6. **Conditions to Effectiveness**. This Amendment shall become effective only upon satisfaction in full, in a manner reasonably satisfactory to the Lender and its counsel, of the following conditions precedent (the first date upon which all such conditions shall have been satisfied (or waived) being herein called the "**First Amendment Effective Date**"):

(a) ***Representations and Warranties***. The representations and warranties contained in this Amendment and in Article 3 of the Loan Agreement and in each other Loan Document, certificate or other document delivered to Lender pursuant to this Amendment, the Loan Agreement or any other Loan Document on or prior to the First Amendment Effective Date are true and correct in all material respects (except that such materiality qualifier shall not be applied to any representations or warranties that already are qualified or modified as to "materiality" or "Material Adverse Effect" in the text thereof (which representations and warranties shall be true and correct in all respects subject to such qualification), on and as of the First Amendment Effective Date as though made on and as of such date, except to the extent that any such representation or warranty (after taking into account this Amendment) expressly relates solely to an earlier date (in which case such representation or warranty shall be true and correct on and as of such earlier date in all material respects (except that such materiality qualifier shall not be applicable to any representations or warranties that already are qualified or modified as to "materiality" or "Material Adverse Effect" in the text thereof, which representations and warranties shall be true and correct in all respects subject to such qualification) on and as of such earlier date), provided however the representations and warranties contained in Sections 3.8, 3.11 and 3.12 are also true and correct in all material respects as of the First Amendment Effective Date except that such materiality qualifier shall not be applicable to any representations or warranties that already are qualified or modified as to "materiality" or "Material Adverse Effect" in the text thereof, which representations and warranties shall be true and correct in all respects subject to such qualification).

(b) ***No Default; Event of Default***. No Default or Event of Default shall have occurred and be continuing on the First Amendment Effective Date or result from this Amendment becoming effective in accordance with its terms.

(c) ***Delivery of Documents***. The Lender shall have received on or before the First Amendment Effective Date the following, each in form and substance reasonably satisfactory to the Lender and, unless indicated otherwise, dated the First Amendment Effective Date:

(i) this Amendment and the Term Note (2022), duly executed by each Borrower; and

(ii) a certificate of an authorized officer of each Borrower, certifying as to the matters set forth in subsections (a) and (b) of this Section 6.

7. **Continued Effectiveness of the Loan Agreement and Other Loan Documents**. Each Borrower hereby (i) confirms and agrees that the Loan Agreement and each other Loan Document to which it is a party is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects except that on and after the First Amendment Effective Date all references in any such Loan Document to "the Loan Agreement," the "Agreement," "thereto," "thereof," "thereunder" or words of like import referring to the Loan Agreement shall mean the Loan Agreement as amended by this Amendment, and (ii) confirms and agrees that to the extent that any Loan Document purports to assign or pledge to the Lender, or to grant to the Lender a security interest in or Lien on, any Collateral as security for the Obligations of any Borrower from time to time existing in respect of the Loan Agreement (as amended hereby) and the other Loan Documents, such pledge, assignment and/or grant of the security interest or Lien is hereby ratified and confirmed in all respects. This Amendment does not and shall not affect any of the obligations of any Borrower, other than as expressly provided herein, including, without limitation, the Borrower's obligations to repay the Loans in accordance with the terms of the Loan Agreement, or the obligations of any Borrower under any Loan Document to which it is a party, all of which obligations shall remain in full force and effect. Except as expressly provided herein, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Lender under the Loan Agreement or any other Loan Document, nor constitute a waiver of any provision of the Loan Agreement or any other Loan Document.

8. **Release**. (a) Each Borrower hereby acknowledges and agrees that: (i) no Borrower has any claim or cause of action against the Lender (or any of its Affiliates or its or their officers, directors, employees, managers, members, partner, shareholders, attorneys or consultants) in connection with the Loan Documents and (ii) the Lender has heretofore properly performed and satisfied in a timely manner all of its obligations to Borrowers under the Loan Agreement and the other Loan Documents that are required to have been performed on or prior to the date hereof. Notwithstanding the foregoing, the Lender wishes (and Borrowers agree) to eliminate any possibility that any past conditions, acts, omissions, events or circumstances would impair or otherwise adversely affect any of the Lender's rights, interests, security and/or remedies under the Loan Agreement and the other Loan Documents. Accordingly, for and in consideration of the agreements contained in this Amendment and other good and valuable consideration, each Borrower (for itself and each other Borrower and the successors, assigns, heirs and representatives of each of the foregoing) (collectively, the "**Releasors**") does hereby fully, finally, unconditionally and irrevocably release and forever discharge Lender and each of its Affiliates and its and their managers, members, partners, officers, directors, employees, shareholders attorneys and consultants in their capacities as or for the Lender (collectively, the "**Released Parties**") from any and all debts, claims, obligations, damages, costs, attorneys' fees, suits, demands, liabilities, actions, proceedings and causes of action, in each case, whether known or unknown, contingent or fixed, direct or indirect, and of whatever nature or description, and whether in law or in equity, under contract, tort, statute or otherwise, which any Releasor has heretofore had or now or hereafter can, shall or may have against any Released Party by reason of any act, omission or thing whatsoever done or omitted to be done directly arising out of, connected with or related to this Amendment, the Loan Agreement or any other Loan Document, or any act, event or transaction related or attendant thereto, or the agreements of the Lender contained therein, or the possession, use, operation or control of any of the assets of any Borrower, or the making of any Loans or other Advances, or the management of such Loans or Advances or the Collateral, in each case, solely to the extent arising from any act, omission or thing whatsoever done or omitted to be done on or prior to the First Amendment Effective Date.

9. **Miscellaneous**.

(a) Borrowers will pay on demand all reasonable and documented out-of-pocket fees, costs and expenses of the Lender in connection with the structuring, preparation, negotiation, execution and delivery of this Amendment and the transactions and all documents contemplated herein and therein, and related transactions, and all documents with respect thereto.

(b) Section and paragraph headings herein are included for convenience of reference only and shall not constitute a part of this Amendment for any other purpose.

(c) Borrowers hereby acknowledge and agree that this Amendment constitutes a “Loan Document” under the Loan Agreement. Accordingly, it shall be an Event of Default under the Loan Agreement if (i) any representation or warranty made by a Borrower under or in connection with this Amendment shall have been incorrect in any material respect when made, or (ii) any Borrower shall fail to perform or observe any term, covenant or agreement contained in this Amendment.

(d) All representations, warranties, acknowledgements, agreements and other covenants of the Borrowers in this Amendment are made on a joint and several basis and are made by each Borrower with respect to itself and all other Borrowers.

(e) Any provision of this Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining portions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

(f) In the case of any conflict between the terms of this Amendment and any Loan Document (including any promissory notes and allonges), the terms of this Amendment shall control.

10. **Counterparts**. This Amendment may be entered into in any number of separate counterparts by any one or more of the parties hereto, and all of said counterparts taken together shall constitute one and the same instrument. Valid and binding signatures to this Amendment may be delivered in original ink, by facsimile or by email or other means of electronic transmission.

11. **Governing Law**. This Amendment and the obligations arising hereunder shall be governed by, and construed and enforced in accordance with, the laws of the State of New York applicable to contracts made and performed in such state, without regard to the principles thereof regarding conflicts of laws.

12. **Submission To Jurisdiction; Waiver Of Jury Trial**.

(a) EACH BORROWER HEREBY CONSENTS AND AGREES THAT THE STATE OR FEDERAL COURTS LOCATED IN NEW YORK CITY, NEW YORK, SHALL HAVE EXCLUSIVE JURISDICTION TO HEAR AND DETERMINE ANY CLAIMS OR DISPUTES BETWEEN BORROWERS AND THE LENDER PERTAINING TO THIS AMENDMENT OR ANY OF THE OTHER LOAN DOCUMENTS OR TO ANY MATTER ARISING OUT OF OR RELATED TO THIS AMENDMENT OR ANY OF THE OTHER LOAN DOCUMENTS; PROVIDED, HOWEVER, THAT NOTHING IN THIS AMENDMENT OR ANY OTHER LOAN DOCUMENT SHALL BE DEEMED OR OPERATE TO PRECLUDE THE LENDER FROM BRINGING SUIT OR TAKING OTHER LEGAL ACTION IN ANY OTHER JURISDICTION TO COLLECT THE OBLIGATIONS, TO REALIZE ON THE COLLATERAL OR ANY OTHER SECURITY FOR THE OBLIGATIONS, OR TO ENFORCE A JUDGMENT OR OTHER COURT ORDER IN FAVOR OF THE LENDER. EACH BORROWER EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANYACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND EACH BORROWER HEREBY WAIVES ANY OBJECTION THAT IT MAY HAVE BASED UPON LACK OF PERSONAL JURISDICTION, IMPROPER VENUE OR FORUM NON CONVENIENS.

(b) THE PARTIES HERETO WAIVE ALL RIGHTS TO TRIAL BY JURY IN ANY ACTION, SUIT, OR PROCEEDING BROUGHT TO RESOLVE ANY DISPUTE, WHETHER ARISING IN CONTRACT, TORT, OR OTHERWISE BETWEEN LENDER AND EACH BORROWER ARISING OUT OF, CONNECTED WITH, RELATED OR INCIDENTAL TO THE RELATIONSHIP ESTABLISHED BETWEEN THEM IN CONNECTION WITH THIS AMENDMENT, THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS RELATED HERETO OR THERETO.

Remainder of page intentionally left blank

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed and delivered as of the date set forth on the first page hereof.

BORROWERS:

CREATIVE REALITIES, INC.
CREATIVE REALITIES CANADA, INC.
ALLURE GLOBAL SOLUTIONS, INC.
REFLECT SYSTEMS, INC.

/s/ Richard Mills
By: Richard Mills
Title: Chief Executive Officer

Address for Notice (for all Borrowers):

LENDER:

SLIPSTREAM COMMUNICATIONS, LLC

/s/ Brian Friedman
By: Brian Friedman
Title: General Counsel

Address for Notice:

Signature Page to First Amendment to Second Amended and Restated Loan and Security Agreement

Exhibit 10.5

TERM NOTE (2022)

$2,000,000.00

October 31, 2022
Stamford, CT

The undersigned, for value received, jointly and severally promise to pay to the order of **SLIPSTREAM COMMUNICATIONS, LLC** (the "**Lender**") at its office in Stamford, Connecticut (or such other office designated by the Lender from time to time) the aggregate unpaid amount of all Advances under the Term Loan (2022) made to the undersigned by the Lender pursuant to the Credit Agreement referred to below, such principal amount to be payable in the amounts and on the dates set forth in the Credit Agreement.

The undersigned further jointly and severally promise to pay interest on the unpaid principal amount of each Advance under the Term Loan (2022) from the date of such loan until the Term Loan (2022) is paid in full, payable at the rate(s) and at the time(s) set forth in the Credit Agreement. Payments of both principal and interest are to be made in lawful money of the United States and in immediately available funds.

This Note evidences indebtedness incurred under, and is subject to the terms and provisions of, that certain Second Amended and Restated Loan and Security Agreement, dated as of February 15, 2022 (as amended, restated, supplemented or otherwise modified from time to time, the "**Credit Agreement**"; terms not otherwise defined herein are used herein as defined in the Credit Agreement), by and between the undersigned and the Lender, to which Credit Agreement reference is hereby made for a statement of the terms and provisions under which this Note may or must be paid prior to its due date or its due date accelerated.

This Note is made under and governed by the laws of the State of New York applicable to contracts made and to be performed entirely within such State.

The undersigned shall pay all costs of collection, including reasonable attorneys' fees and legal expenses if this Note is not paid when due, whether or not legal proceedings are commenced.

[Signature Page Follows]

Presentment or other demand for payment, notice of dishonor and protest are expressly waived.

CREATIVE REALITIES, INC.
CREATIVE REALITIES CANADA, INC.
ALLURE GLOBAL SOLUTIONS, INC.
REFLECT SYSTEMS, INC.

By: /s/ Will Logan
Name: Will Logan
Title: Chief Financial Officer

Signature Page to Term Note (2022)

EXHIBIT 31.1

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 for the three and nine months ended September 30, 2022, 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: November 14, 2022

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, Will Logan, certify that:

1. I have reviewed this quarterly report on Form 10-Q for the three and nine months ended September 30, 2022, 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: November 14, 2022

By: /s/ Will Logan
Will Logan
Chief Financial Officer

EXHIBIT 32.1

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

In connection with the Quarterly Report of Creative Realities, Inc. (the “Company”) on Form 10-Q for the three and nine months ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Richard Mills, 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: November 14, 2022

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 of Creative Realities, Inc. (the "Company") on Form 10-Q for the three and nine months ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Will Logan, 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: November 14, 2022

By: /s/ Will Logan
Will Logan
Chief Financial Officer