

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 MARCH 31, 2018

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

FOR THE TRANSITION PERIOD FROM _____ TO _____

Commission File Number 001-33169



Creative Realities, Inc.

(Exact name of registrant as specified in its charter)

Minnesota

(State or other jurisdiction of
incorporation or organization)

41-1967918

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

13100 Magisterial Drive, Suite 100, Louisville, KY 40223

(Address of principal executive offices, including zip code)

(502) 791-8800

(Registrant's telephone number, including area code)

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

Non-accelerated filer (Do not check if a smaller reporting company)

Emerging growth company

Accelerated filer

Smaller reporting 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 Exchange Act). Yes No

As of May 10, 2018, the registrant had 82,581,866 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)**

	March 31, 2018	December 31, 2017
	(unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 742	\$ 1,003
Accounts receivable, net of allowance of \$59 and \$40, respectively	5,058	5,912
Unbilled receivables	316	77
Work-in-process and inventories	770	851
Prepaid expenses and other current assets	1,315	1,030
Total current assets	<u>8,201</u>	<u>8,873</u>
Property and equipment, net	1,189	1,136
Intangibles, net	643	875
Goodwill	14,989	14,989
Other assets	149	172
TOTAL ASSETS	<u><u>\$ 25,171</u></u>	<u><u>\$ 26,045</u></u>
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Short-term related party loans payable, net of \$212 and \$0 discount, respectively	\$ 788	\$ -
Accounts payable	1,528	2,017
Accrued expenses	2,916	2,689
Deferred revenues	6,607	6,721
Customer deposits	1,276	1,247
Lease termination liability	474	-
Total current liabilities	<u>13,589</u>	<u>12,674</u>
Long-term related party loans payable, net of \$1,625 and \$1,916 discount, respectively	5,778	5,465
Warrant liability	661	858
Deferred tax liabilities	589	549
Other long-term liabilities	184	220
TOTAL LIABILITIES	<u><u>20,801</u></u>	<u><u>19,766</u></u>
COMMITMENTS AND CONTINGENCIES		
Convertible preferred stock, net of discount (liquidation preference of \$5,692)	1,927	1,927
SHAREHOLDERS' EQUITY		
Common stock, \$.01 par value, 200,000 shares authorized; 82,582 shares issued and outstanding	826	826
Additional paid-in capital	30,086	29,757
Accumulated deficit	(28,469)	(26,231)
Total shareholders' equity	<u>2,443</u>	<u>4,352</u>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	<u><u>25,171</u></u>	<u><u>26,045</u></u>

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 March 31,	
	2018	2017
Sales		
Hardware	\$ 1,231	\$ 561
Services and other	2,835	5,858
Total sales	<u>4,066</u>	<u>6,419</u>
Cost of sales		
Hardware	1,100	564
Services and other	1,457	3,008
Total cost of sales (exclusive of depreciation and amortization shown below)	<u>2,557</u>	<u>3,572</u>
Gross profit	1,509	2,847
Operating expenses:		
Sales and marketing expenses	503	418
Research and development expenses	321	157
General and administrative expenses	1,703	1,747
Depreciation and amortization expense	327	402
Lease termination expense	474	-
Total operating expenses	<u>3,328</u>	<u>2,724</u>
Operating income/(loss)	(1,819)	123
Other income (expenses):		
Interest expense	(574)	(410)
Change in fair value of warrant liability	197	(8)
Gain on settlement of debt	-	866
Other income/(expense)	4	-
Total other income/(expense)	<u>(373)</u>	<u>448</u>
Income/(loss) before income taxes	(2,192)	571
Provision for income taxes	(46)	(79)
Net income/(loss)	(2,238)	492
Dividends on preferred stock	(111)	(113)
Net income/(loss) attributable to common shareholders	<u>\$ (2,349)</u>	<u>\$ 379</u>
Basic earnings/(loss) per common share	<u>\$ (0.03)</u>	<u>\$ 0.01</u>
Diluted earnings/(loss) per common share	<u>\$ (0.03)</u>	<u>\$ 0.01</u>
Weighted average shares outstanding - basic	<u>82,582</u>	<u>67,112</u>
Weighted average shares outstanding - diluted	<u>82,582</u>	<u>67,112</u>

See accompanying notes to condensed consolidated financial statements.

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

	Three Months Ended	
	March 31,	
	2018	2017
Operating Activities:		
Net income/(loss)	\$ (2,238)	\$ 492
Adjustments to reconcile net income/(loss) to net cash in operating activities		
Depreciation and amortization	327	402
Amortization of debt discount	345	195
Stock-based compensation	64	71
Change in warrant liability	(197)	8
Deferred tax provision	40	63
Allowance for doubtful accounts	19	18
Increase in notes due to in-kind interest	22	25
Charge for lease termination	474	-
Gain on settlement of debt and write-off of Broadcast International, Inc.	-	(866)
Changes to operating assets and liabilities:		
Accounts receivable and unbilled revenues	596	2,155
Inventories	81	(153)
Prepaid expenses and other current assets	(285)	1
Other assets	23	(9)
Accounts payable	(489)	(759)
Deferred revenue	(114)	(64)
Accrued expenses	227	1,656
Deposits	29	(256)
Other non-current liabilities	(36)	-
Net cash provided by/(used) in operating activities	<u>(1,112)</u>	<u>2,979</u>
Investing activities		
Purchases of property and equipment	(149)	(141)
Net cash used in investing activities	<u>(149)</u>	<u>(141)</u>
Financing activities		
Proceeds from related party loans	1,000	-
Payments on debt	-	(786)
Net cash provided by/(used in) financing activities	<u>1,000</u>	<u>(786)</u>
Increase/(decrease) in Cash and Cash Equivalents	(261)	2,052
Cash and Cash Equivalents, beginning of period	1,003	1,352
Cash and Cash Equivalents, end of period	<u>\$ 742</u>	<u>\$ 3,404</u>

See accompanying notes to condensed consolidated financial statements.

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

NOTE 1: NATURE OF ORGANIZATION AND OPERATIONS

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

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. We believe we are one of the world’s leading interactive marketing technology companies that focuses on the retail shopper experience by helping retailers and brands use the latest technologies to create better shopping experiences.

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

Liquidity and Financial Condition

The accompanying unaudited 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.

We have incurred net losses and negative cash flows from operating activities for the years ended December 31, 2017 and 2016. For the three months ended March 31, 2018 and 2017 we recognized net income/(loss) of (\$2,238) and \$492 respectively. As of March 31, 2018, we had cash and cash equivalents of \$742 and working capital deficit of (\$5,388).

On November 13, 2017, Slipstream Communications, LLC, a related party, extended the maturity date of our term loan to August 17, 2019 and extended the maturity date of our promissory notes on a rolling quarter addition basis which is now May 25, 2019. While management believes that due to the extension of our debt maturity date, our current cash balance and our operational forecast for 2018, we can continue as a going concern through at least May 15, 2019, given our net losses and working capital deficit, we obtained a continued support letter from Slipstream Communications, LLC through May 15, 2019. We can provide no assurance that our ongoing operational efforts will be successful which could have a material adverse effect on our results of operations and cash flows.

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

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-Q and Article 10 of Regulation S-X and include all of the information and disclosures required by generally accepted accounting principles in the United States ("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, 2017, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 26, 2018.

The results of operations for the interim periods are not necessarily indicative of results of operations for a full year. It is the opinion of management that all necessary adjustments for a fair presentation of the results of operations for the interim periods have been made and are of a recurring nature unless otherwise disclosed herein.

2. Revenue Recognition

We recognize revenue on accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, which we adopted effective January 1, 2018, using the modified retrospective method. See further discussion of the impact of adoption and current revenue recognition policy in Note 4.

3. Inventories

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

	March 31, 2018	December 31, 2017
Finished goods	\$ 615	\$ 719
Work-in-process	155	132
Total inventories	<u>\$ 770</u>	<u>\$ 851</u>

4. Impairment of Long-Lived Assets

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

If the impairment tests indicate that the carrying value of the asset is greater than the expected undiscounted cash flows to be generated by such asset, an impairment loss would be recognized. The impairment loss is determined 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 and warrants totaling approximately 48.5 and 35.9 million at March 31, 2018 and March 31, 2017, respectively, were excluded from the computation of income/(loss) per share. Additionally, the potential common shares issuable upon conversion of convertible preferred stock and convertible promissory notes of 37.7 and 37.7 million were excluded at March 31, 2018 and 2017, respectively, as their effect was antidilutive due to net loss. Net income/(loss) attributable to common shareholders for the three months ended March 31, 2018 and 2017 is after dividends on convertible preferred stock of \$111 and \$113, respectively.

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 (other than goodwill), stock-based compensation, reserves for uncollectible accounts receivable and inventory, differences in depreciation methods, and accrued expenses. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. 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 March 31, 2018 and December 31, 2017.

7. Goodwill and Definite-Lived Intangible Assets

We follow the provisions of ASC 350, Goodwill and Other Intangible Assets. Pursuant to ASC 350, goodwill acquired in a purchase business combination is not amortized, but instead tested for impairment at least annually. The Company uses a measurement date of September 30. There was no impairment loss recognized on goodwill or definite-lived intangible assets during the three months ended March 31, 2018 and 2017 (see Note 7).

8. Use of Estimates

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

NOTE 3: RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In March 2018, the FASB issued ASU 2018-05, *Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118*. The amendments in this update provide guidance on when to record and disclose provisional amounts for certain income tax effects of the Tax Cuts and Jobs Act ("Tax Reform Act"). The amendments also require any provisional amounts or subsequent adjustments to be included in net income from continuing operations. Additionally, this ASU discusses required disclosures that an entity must make with regard to the Tax Reform Act. This ASU is effective immediately as new information is available to adjust provisional amounts that were previously recorded. The Company has adopted this standard and will continue to evaluate indicators that may give rise to a change in our tax provision as a result of the Tax Reform Act. Refer to Note 11 for additional information on the Tax Reform Act.

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which replaces most existing revenue recognition guidance in U.S. GAAP and is intended to improve and converge with international standards the financial reporting requirements for revenue from contracts with customers. ASU 2014-09 and its amendments were included primarily in ASC 606. The core principle of ASC 606 is that an entity should recognize revenue for the transfer of goods or services equal to the amount that it expects to be entitled to receive for those goods or services. ASC 606 also requires additional disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. We adopted ASC 606 effective January 1, 2018, using the modified retrospective method. Refer to Note 4.

In July 2017, the FASB issued Accounting Standards Update No. 2017-11, *Earnings Per Share (Topic 260), Distinguishing Liabilities From Equity (Topic 480), Derivatives and Hedging (Topic 815) Part I. Accounting for Certain Financial Instruments With Down Round Features, Part II Replacement of the Indefinite Deferral for Mandatorily Redeemable Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception*. This update provided guidance that changes the classification analysis of certain equity-linked financial instruments with down-round features. These instruments are no longer accounted for as derivative liabilities at fair value as a result of the existence of a down round feature. The Company early adopted this ASU in 2017 and has applied the guidance in this ASU retrospectively to all prior periods. As a result of adopting this ASU, the Company no longer recognizes a liability related to 16,482,635 warrants, which were only classified as liabilities as a result of having down round features. The debt discount for those warrants has been recalculated to reflect the relative fair value of the warrants and the debt. In addition, the Company determined that the impact to the income/(loss) per share as a result of the down round features was not material. The impact to the financial statements for the three-months ended March 31, 2017 is as follows:

	Three months ended March 31, 2017	
	As previously reported	As adjusted
Operating income/(loss)	\$ 123	\$ 123
Other income (expenses):		
Interest expense	(484)	(410)
Change in fair value of warrant liability	(20)	(8)
Gain on settlement of debt	866	866
Other income/(expense)	-	-
Total other income/(expense)	362	448
Income/(loss) before income taxes	485	571
Benefit/(provision) from income taxes	(79)	(79)
Net income	406	492
Dividends on preferred stock	(113)	(113)
Net income attributable to common shareholders	\$ 293	\$ 379
Net income per common share - basic	\$ 0.00	\$ 0.01
Net income per common share - diluted	\$ 0.00	\$ 0.00
Weighted average shares outstanding - basic	67,112	67,112
Weighted average shares outstanding - diluted	96,711	96,711

In May 2017, the FASB issued ASU 2017-09 *Compensation—Stock Compensation (Topic 718) Scope of Modification Accounting*. This update provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting for Stock Compensation. The Company adopted this standard effective January 1, 2018; there was no impact on our financial statements for any period presented as a result of adoption.

In January 2017, the FASB issued Accounting Standards Update (“ASU”) 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This update requires an entity to perform a two-step test to determine the amount, if any, of goodwill impairment. In Step 1, an entity compares the fair value of a reporting unit with its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, the entity performs Step 2 and compares the implied fair value of goodwill with the carrying amount of that goodwill for that reporting unit. An impairment charge equal to the amount by which the carrying amount of goodwill for the reporting unit exceeds the implied fair value of that goodwill is recorded, limited to the amount of goodwill allocated to that reporting unit. To address concerns over the cost and complexity of the two-step goodwill impairment test, the amendments in this ASU removes the second step of the test. An entity will apply a one-step quantitative test and record the amount of goodwill impairment as the excess of a reporting unit's carrying amount over its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The new guidance does not amend the optional qualitative assessment of goodwill impairment. This guidance is effective for public business entities for fiscal years beginning after December 15, 2019, and for interim periods within those fiscal years, early adoption is permitted. The Company does not expect the adoption of this guidance will have a material impact on our financial statements.

In January 2017, the FASB issued ASU 2017-01 *Business Combinations*, guidance clarifying the definition of a business with the objective of adding guidance to assist entities with evaluating whether transactions should be accounted for as acquisitions or disposals of assets or businesses. The guidance provides a screen to determine when an integrated set of assets and activities is not a business, provides a framework to assist entities in evaluating whether both an input and substantive process are present, and narrows the definition of the term output. The Company adopted this standard on a prospective basis effective January 1, 2018.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments*, which provides guidance on the classification of certain cash receipts and cash payments in the statement of cash flows, including those related to debt prepayment or debt extinguishment costs, contingent consideration payments made after a business combination, proceeds from the settlement of insurance claims, proceeds from the settlement of corporate-owned life insurance, and distributions received from equity method investees. The Company adopted this standard effective January 1, 2018; there was no impact on our financial statements for any period presented as a result of adoption.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments*, which provides guidance with respect to measuring credit losses on financial instruments, including trade receivables. This guidance eliminates the probable initial recognition threshold that was previously required prior to recognizing a credit loss on financial instruments. The credit loss estimate can now reflect an entity's current estimate of all future expected credit losses. Under the previous guidance, an entity only considered past events and current conditions. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. We are currently evaluating the impact, if any that the adoption of this guidance will have on our consolidated financial statements.

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

NOTE 4: REVENUE RECOGNITION

On January 1, 2018, the Company adopted ASC 606 using the modified retrospective method for all contracts not completed as of the date of adoption. Results for reporting periods beginning on or after January 1, 2018 are presented under ASC 606, while prior period amounts are not adjusted and continue to be reported under the accounting standards in effect for the prior period. Under this method, we concluded that the cumulative effect of applying this guidance was not material to the financial statements and no adjustment to the opening balance of accumulated deficit was required on the adoption date.

Under ASC 606, the Company accounts for revenue using the following steps:

- Identify the contract, or contracts, with a customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the identified performance obligations
- Recognize revenue when, or as, the Company satisfies the performance obligations

The Company combines contracts with the same customer into a single contract for accounting purposes when the contracts are entered into at or near the same time and the contracts are negotiated as a single commercial package, consideration in one contract depends on the other contract, or the services are considered a single performance obligation. 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.

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.

As discussed in more detail below, 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. 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. Unbilled receivables are recorded as accounts receivable when the Company has an unconditional right to contract consideration. 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.

Deferred contract acquisition costs were evaluated for inclusion in other assets; however, the Company elected to use the practical expedient for recording an immediate expense for those 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.

The Company 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's 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 typically generate revenue through the following sources:

- Hardware:
 - System hardware sales – displays, computers and peripherals
- Services and Other:
 - Professional implementation and installation services
 - Software design and development services
 - Software as a service, including content management
 - Maintenance and support services

System hardware sales

Included in "hardware" are system hardware sales whereby revenue is recognized generally upon shipment of the product or customer acceptance depending upon contractual arrangements with the customer 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. The prior period amounts and data have been reclassified in the financial statements and related notes in order to conform to the 2018 presentation.

Installation services

The Company performs outsourced installation services for customers and recognizes revenue upon completion of the installations.

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.

The aggregate amount of the transaction price allocated to installation service performance obligations that are unsatisfied (or partially unsatisfied) as of March 31, 2018 were \$550. We expect to recognize approximately \$433 during the three months ended June 30, 2018 and the remainder in the three months ended December 31, 2018.

Software design and development services

Software and software license sales are 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 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. We account for revenue from these services in accordance with ASC 985-20-15-5 and recognize revenue ratably over the performance period.

Maintenance and support services

The Company sells support services which include access to technical support personnel for software and hardware troubleshooting. The Company offers a hosting service through our network operations center, or NOC, allowing the ability to monitor and support its customers' networks 7 days a week, 24 hours a day. These contracts are generally 12-36 months in length. Revenue is recognized over the term of the agreement in proportion to the costs incurred in fulfilling performance obligations under the contract.

Maintenance and support fees are based on the level of service provided to end customers, which can range from monitoring the health of a customer's network to supporting a sophisticated web-portal to managing the end-to-end hardware and software of a digital marketing system. These agreements are renewable by the customer. Rates for maintenance and support, including subsequent renewal rates, are typically established based upon a fee per location, per device, or a specified percentage of net software license fees as set forth in the arrangement. These contracts are generally 12-36 months in length. Revenue is recognized over the term of the agreement in proportion to the costs incurred in fulfilling performance obligations under the contract.

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.

In addition to changes in the timing of when we record variable consideration, ASC 606 provided clarification about the classification of certain costs relating to revenue arrangements with customers. As a result of our analysis, we did not identify any components of our revenue transactions which required reclassification between gross and net presentation.

NOTE 5: FAIR VALUE MEASUREMENT

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

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

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

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

The following table presents information about the Company's warrant liabilities that are measured at fair value on a recurring basis, and indicates the fair value hierarchy of the valuation techniques the Company used to determine such fair value. See Note 12 for the inputs used for the probability weighted Black Scholes valuations when the warrants were issued and at March 31, 2018.

Description	Fair Value	Quote Prices In Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Other Unobservable Inputs (Level 3)
Warrant liabilities at December 31, 2017	\$ 858	-	-	\$ 858
Warrant liabilities at March 31, 2018	\$ 661	-	-	\$ 661
The change in level 3 fair value is as follows:				
Warrant liability as of December 31, 2017				\$ 858
New warrant liabilities				-
Decrease in fair value of warrant liability				197
Ending warrant liability as of March 31, 2018				<u>\$ 661</u>

NOTE 6: SUPPLEMENTAL CASH FLOW STATEMENT INFORMATION

Supplemental Cash Flow Information	Three Months Ended	
	March 31,	
	2018	2017
<u>Non-cash Investing and Financing Activities</u>		
Noncash preferred stock dividends	\$ -	\$ 113
Issuance of stock upon conversion of preferred stock	\$ -	\$ 240
Issuance of warrants with term loan extensions	\$ 266	\$ -

NOTE 7: INTANGIBLE ASSETS

Intangible Assets

Intangible assets consisted of the following at March 31, 2018 and December 31, 2017:

	March 31, 2018		December 31, 2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Technology platform	2,865	2,667	2,865	2,568
Customer relationships	2,460	2,207	2,460	2,093
Trademarks and trade names	680	488	680	469
	<u>6,005</u>	<u>5,362</u>	<u>6,005</u>	<u>5,130</u>
Accumulated amortization	5,362		5,130	
Net book value of amortizable intangible assets	<u>643</u>		<u>875</u>	

For the three months ended March 31, 2018 and 2017, amortization of intangible assets charged to operations was \$232 and \$323, respectively.

NOTE 8: LOANS PAYABLE

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

<u>Issuance Date</u>	<u>Original Principal</u>	<u>Additional Principal</u>	<u>Total Principal</u>	<u>Maturity Date</u>	<u>Warrants</u>	
1/16/2018	\$ 1,000	\$ -	1,000	1/16/2019	1,851,851	8.0% interest
8/17/2016	3,000	-	3,000	8/17/2019	17,647,056	8.0% interest
6/29/2016	50	2	52	5/25/2019	89,286	14% interest - 12% cash, 2% added to principal
6/13/2016	200	20	220	5/25/2019	357,143	14% interest - 12% cash, 2% added to principal
6/13/2016	250	15	265	5/25/2019	446,429	14% interest - 12% cash, 2% added to principal
5/3/2016	500	20	520	5/25/2019	892,857	14% interest - 12% cash, 2% added to principal
12/28/2015	150	7	157	5/25/2019	267,857	14% interest - 12% cash, 2% added to principal
12/28/2015	500	23	523	5/25/2019	892,857	14% interest - 12% cash, 2% added to principal
12/28/2015	600	28	628	5/25/2019	1,071,429	14% interest - 12% cash, 2% added to principal
10/26/2015	300	15	315	5/25/2019	535,714	14% interest - 12% cash, 2% added to principal
10/15/2015	150	7	157	5/25/2019	267,857	14% interest - 12% cash, 2% added to principal
10/15/2015	500	25	525	5/25/2019	892,857	14% interest - 12% cash, 2% added to principal
6/23/2015	400	23	423	5/25/2019	640,000	14% interest - 12% cash, 2% added to principal
6/23/2015	119	34	153	5/25/2019	935,210	Refinanced May 20, 2015 debt, 14% interest*
5/20/2015	465		465	5/25/2019	762,295	14% interest - 12% cash, 2% added to principal
	<u>\$ 8,184</u>	<u>\$ 219</u>	<u>\$ 8,403</u>		<u>27,550,698</u>	
Debt discount			<u>(1,837)</u>			
Total debt	<u>\$ 8,184</u>		<u>\$ 6,566</u>			

* 12% cash, 2% added to principal

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

Term Notes

On August 17, 2016, we entered into a Loan and Security Agreement with Slipstream Communications, LLC ("Slipstream"), a related party (see Note 10), and obtained a \$3.0 million term loan, with interest thereon at 8% per annum. The loan currently matures August 17, 2019. The term loan contains certain customary restrictions including, but not limited to, restrictions on mergers and consolidations with other entities, cancellation of any debt or incurring new debt (subject to certain exceptions), and other customary restrictions.

On January 16, 2018, we entered into the Third Amendment to the Loan and Security Agreement with Slipstream and obtained a \$1.0 million revolving loan, with interest thereon at 8% per annum, maturing on January 16, 2019. In connection with the loan, we issued Slipstream a five-year warrant to purchase up to 1,851,851 shares of Creative Realities' common stock at a per share price of \$0.27 (subject to adjustment). The fair value of the warrants was \$266, which is accounted for as an additional debt discount and amortized over the remaining life of the loan.

Our principal subsidiaries – Creative Realities, Inc., Creative Realities, LLC, and Conexus World Global, LLC – are co-makers of the secured convertible promissory notes.

See Note 12 for the Black Scholes inputs used to calculate the fair value of the warrants.

Convertible Promissory Notes

In December 2016 and January 2017, Slipstream Communications, LLC purchased all of our outstanding convertible promissory notes from the original debtholders. The terms of the notes are set forth in the table above and are discussed in further detail below.

The convertible promissory notes were issued in a private placement exempt from registration under the Securities Act of 1933. Our principal subsidiaries — Creative Realities, LLC, Creative Realities Canada, Inc., and Conexus World Global, LLC — are also parties to the Securities Purchase Agreement and are co-makers of the secured convertible promissory notes. Obligations under the secured convertible promissory notes are secured by a grant of collateral security in all of the personal property of the co-makers pursuant to the terms of a security agreement. Obligations under the secured convertible promissory notes are secured by a grant of collateral security in all the personal property of the co-makers pursuant to the terms of a security agreement. The secured convertible promissory notes bear interest at the rate of 14% per annum. Of this amount, 12% per annum is payable monthly in cash, and the remaining 2% per annum is payable in the form an additional principal through increases in the principal amount of the note. Upon the consummation of a change in control transaction of the Company or a default, interest on the secured convertible promissory note will increase to the rate of 17% per annum. The secured convertible promissory note contains other customary terms. See Note 11 for the Black Scholes inputs used to calculate the fair value of the warrants issued in connection with such notes. On August 10, 2017, Slipstream extended the maturity date of all the promissory notes to October 15, 2018. The change was accounted for as a modification of the debt. On November 13, 2017, Slipstream elected to extend the maturity date of the convertible promissory notes on a rolling quarter addition basis to January 15, 2019, which is now extended to May 25, 2019.

At any time prior to the maturity date, the holder of a promissory note may convert the outstanding principal and accrued and unpaid interest into our common stock at its conversion rate. We may not prepay the secured convertible promissory note prior to the maturity date. The secured convertible promissory note contains other customary terms. See Note 13 for the Black Scholes inputs used to calculate the fair value of the warrants.

On June 29, 2016, we entered into a secured convertible promissory note in the principal amount of \$50 and an immediately exercisable five-year warrant to purchase up to 89,286 shares of the Company's common stock at a per-share price of \$0.28 (subject to adjustment). The fair value of the warrants on the issuance date was \$6, which the Company subsequently revised pursuant to ASU 2017-11 to be \$4. This note was subsequently purchased by Slipstream on December 22, 2016. See Note 2 for details on the effect this ASU had on the Company's financial statements.

On June 13, 2016, upon receipt of an additional \$300 of principal, we exchanged two short term demand notes entered into in July 2015 totaling \$150 for two secured convertible promissory notes totaling a principal amount of \$450 and immediately exercisable five-year warrants to purchase up to 803,572 shares of the Company's common stock at a per-share price of \$0.28 (subject to adjustment). This exchange was accounted for as a modification of the debt. The fair value of the warrants on the issuance date was \$57, which the Company subsequently revised pursuant to ASU 2017-11 to be \$40. On December 20, 2016, \$200 of this note was subsequently purchased by Slipstream; the remaining \$250 was already owed to Slipstream. See Note 2 for details on the effect this ASU had on the Company's financial statements.

On or about May 3, 2016, we entered into a secured convertible promissory note in the principal amount of \$500,000 and an immediately exercisable five-year warrant to purchase up to 892,857 shares of the Company's common stock at a per-share price of \$0.28 (subject to adjustment). In connection with the secured convertible promissory note, we incurred commissions to a placement agent aggregating \$25. The fair value of the warrants on the issuance date was \$89, which the Company subsequently revised pursuant to ASU 2017-11 to be \$60. This note was subsequently purchased by Slipstream on December 22, 2016. See Note 2 for details on the effect this ASU had on the Company's financial statements.

NOTE 9: COMMITMENTS AND CONTINGENCIES

Lease termination

On August 10, 2017, we announced the planned closure of our office facilities located at 22 Audrey Place, Fairfield, New Jersey 07004 which housed our previous operations center and ceased use of the facilities in February 2018. In ceasing use of these facilities, we recorded a one-time non-cash charge of \$474 to accrue for the remaining rent under the lease term, net of anticipated subtenant rental income.

Structured Settlement Program

In March 2017, the Company settled and/or wrote off debt of \$1,109 for \$243 cash payment and recognized a gain of \$866. This debt included \$693 of payables previously recorded by our dissolved subsidiary Broadcast International, Inc, as we had exhausted all efforts to identify and settle these obligations in the first quarter of 2017. There were no such settlements in 2018.

Litigation

The Company is involved in various legal proceedings incidental to the operations of its business. The Company believes that the outcome of all such other pending legal proceedings in the aggregate will not have a material adverse effect on its business, financial condition, liquidity, or operating results.

Termination benefits

On August 10, 2017, the Company announced that it was closing its New Jersey and Minnesota locations. As of March 31, 2018, the Company has accrued one-time termination benefits related to severance to the affected employees of \$75 and will recognize the expense over the period the employees are expected to continue service to the Company.

NOTE 10: RELATED PARTY TRANSACTIONS

On January 16, 2018, we entered into the Third Amendment to the Loan and Security Agreement with Slipstream Communications, LLC, a related party investor, under which we obtained a \$1.0 million revolving loan, with interest thereon at 8% per annum, maturing on January 16, 2019. In connection with the loan, we issued the lender a five-year warrant to purchase up to 1,851,851 shares of Creative Realities' common stock at a per share price of \$0.27 (subject to adjustment). The fair value of the warrants was \$266, which is accounted for as an additional debt discount and amortized over the remaining life of the loan.

For the quarter ended March 31, 2018, the Company had sales with a related party entity that is approximately 20% owned by a member of senior management. Sales were \$417 for the quarter ended March 31, 2018 and \$108 during the quarter ended March 31, 2017. Accounts receivable due from the related party was \$2,503 and \$3,017 at March 31, 2018 and December 31, 2017, respectively.

In December 2016 and January 2017, the Company's majority shareholder and investor, Slipstream Communications LLC acquired all of the Company's outstanding debt (see Note 8).

NOTE 11: INCOME TAXES

Our deferred tax assets are primarily related to net federal and state operating loss carryforwards (NOLs). We have substantial NOLs that are limited in its usage by IRC Section 382. IRC Section 382 generally imposes an annual limitation on the amount of NOLs that may be used to offset taxable income when a corporation has undergone significant changes in stock ownership within a statutory testing period. We have performed a preliminary analysis of the annual NOL carryforwards and limitations that are available to be used against taxable income. 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.

For the three months ended March 31, 2018, we reported tax expense of \$46 including \$40 resulting from the goodwill on the acquisition of Wireless Ronin Technologies. The net deferred liability at March 31, 2018 of \$589 represents the liability relating to indefinite lived assets, which is not more likely than not to be offset by the Company's deferred tax assets.

The Tax Reform Act was signed into law on December 22, 2017. Among other things, the Tax Reform Act reduced the U.S. federal corporate tax rate from 35.0 percent to 21.0 percent effective for tax years beginning after December 31, 2017. We applied the guidance in the U.S. Securities and Exchange Commission ("SEC") Staff Accounting Bulletin No. 118 ("SAB 118") when accounting for the enactment date effects of the Tax Reform Act. Accordingly, we remeasured our deferred taxes as of December 31, 2017 to reflect the reduced rate that will apply in future periods when these deferred taxes are settled or realized, resulting in a one-time \$0.2 million net tax benefit in 2017. Upon further analyses of certain aspects of the Tax Reform Act and refinement of our calculations during the three months ended March 31, 2018, we made no adjustments to our provisional amounts recorded. We consider the accounting for the enactment-date remeasurement of deferred tax assets and liabilities to be complete as of March 31, 2018.

NOTE 12: CONVERTIBLE PREFERRED STOCK

The preferred stock entitles its holders to a 6% dividend, payable semi-annually in cash or in kind through the three-year anniversary of the original issue date, and from and after such three-year anniversary in duly authorized, validly issued, fully paid and non-assessable shares of common stock. The three-year anniversary of the initial investment date occurred during the second half of 2017 for \$5.2 million and the first quarter of 2018 for the remaining \$0.3 million originally issued Convertible Preferred Stock and therefore dividends on those investments will be paid via issuance of common shares at all future dividend dates. As of March 31, 2018, the pro rata portion of earned dividends to be distributed as of June 30, 2018 were the equivalent of 3,822 Series A Preferred Stock, which represents 371,073 equivalent common shares based on the volume-weighted adjusted price utilized for conversion. The fair value of these shares are reflected at fair value as a dividend on preferred stock in the condensed consolidated statement of operations and do not impact net loss for the period.

The preferred stock may be converted into our common stock at the option of a holder at an initial conversion price as adjusted of \$0.255 per share. Subject to certain conditions, we may call and redeem the preferred stock after three years. From and after the three-year anniversary of the date of issuance, the Company has the right (but not the obligation), upon at least 30 days prior written notice, to call some or all of the Series A Preferred Stock for redemption at any time after the common stock has had a closing price on the relevant trading market, for a period of at least 15 consecutive days, all of which must be after the three-year anniversary date of the purchase agreement, equal to at least one and one-half times the initial conversion price.

During such time as a majority of the preferred stock sold remains outstanding, holders will have the right to elect a member to our Board of Directors. The preferred stock has full-ratchet price protection in the event that we issue common stock below the conversion price, as adjusted, subject to certain customary exceptions. The warrants issued to purchasers of the preferred stock contain weighted-average price protection in the event that we issue common stock below the exercise price, as adjusted, again subject to certain customary exceptions. In the Securities Purchase Agreement, we granted purchasers of the preferred stock certain registration rights pertaining to the common shares they may receive upon conversion of their preferred stock and upon exercise of their warrants.

During the quarter ended March 31, 2018, there were no conversions of Convertible Preferred Stock into common stock. During the quarter ended March 31, 2017, accredited investors converted 240,250 shares of Series A Convertible Preferred Stock for 942,157 shares of common stock.

NOTE 13: WARRANTS

On January 16, 2018, we entered into the Third Amendment to the Loan and Security Agreement with Slipstream Communications, LLC, a related party investor, under which we obtained a \$1.0 million revolving loan, with interest thereon at 8% per annum, maturing on January 16, 2019. In connection with the loan, we issued the lender a five-year warrant to purchase up to 1,851,851 shares of Creative Realities' common stock at a per share price of \$0.27 (subject to adjustment). The fair value of the warrants on the issuance date was \$266.

Listed below are the range of inputs used for the probability weighted Black Scholes option pricing model valuations when the warrants were issued and at March 31, 2018.

Issuance Date	Expected Term at Issuance Date	Risk Free Interest Rate at Date of Issuance	Volatility at Date of Issuance	Stock Price at Date of Issuance
8/20/2014	5.00	1.50%	96.00%	\$ 0.63
2/13/2015	5.00	1.28%	100.00%	\$ 0.34
5/22/2015	5.00	1.28%	107.58%	\$ 0.29
10/15/2015	5.00	1.71%	58.48%	\$ 0.22
10/26/2015	5.00	1.71%	60.47%	\$ 0.21
12/21/2015	5.00	1.75%	58.48%	\$ 0.21
12/28/2015	5.00	1.75%	58.48%	\$ 0.16
1/15/2016	5.00	1.76%	58.48%	\$ 0.17
5/3/2016	5.00	1.25%	51.15%	\$ 0.21
6/13/2016	5.00	1.14%	51.12%	\$ 0.17
6/29/2016	5.00	1.01%	48.84%	\$ 0.17
8/17/2016	5.00	1.15%	51.55%	\$ 0.15
11/4/2016	5.00	1.66%	47.48%	\$ 0.16
12/12/2016	5.00	1.90%	48.54%	\$ 0.19
8/19/2017	5.00	1.81%	64.71%	\$ 0.35
11/13/2017	5.00	2.08%	66.24%	\$ 0.29
1/16/2018	5.00	2.36%	65.07%	\$ 0.27

Remaining Expected Term at March 31, 2018	Risk Free Interest Rate at March 31, 2018	Volatility at March 31, 2018	Stock Price at March 31, 2018
	0.1 - 4.8	2.18%	65.07% \$ 0.30

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

	Warrants (Equity)		Weighted Average Remaining Contractual Life	Warrants (Liability)		Weighted Average Remaining Contractual Life
	Amount	Weighted Average Exercise Price		Amount	Weighted Average Exercise Price	
Balance January 1, 2018	33,004,011	0.47	3.55	6,487,500	0.35	1.64
Warrants issued with revolver loan	1,851,852	0.27	4.80	-	-	-
Warrants expired	530,513	10.73	-	-	-	-
Balance March 31, 2018	<u>34,325,350</u>	<u>0.30</u>	<u>3.43</u>	<u>6,487,500</u>	<u>0.35</u>	<u>1.39</u>

NOTE 14: STOCKHOLDERS' EQUITY

A summary of outstanding options is included below:

Range of Exercise Prices between	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$0.18 - \$0.65	7,620,000	7.44	\$ 0.28	4,196,314	\$ 0.31
\$0.66 - \$0.79	30,000	5.79	0.79	30,000	\$ 0.79
\$0.80 - \$12.25	15,500	4.34	3.73	15,500	\$ 3.73
	<u>7,665,500</u>	<u>7.43</u>	<u>\$ 0.29</u>		

	Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2017	7,190,500	\$ 0.29
Granted	575,000	0.29
Exercised	-	-
Forfeited or expired	(100,000)	0.19
Balance, March 31, 2018	<u>7,665,500</u>	<u>\$ 0.29</u>

The weighted average remaining contractual life for options exercisable is 7.43 years as of March 31, 2018.

NOTE 15: STOCK-BASED COMPENSATION

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 365,500 options outstanding under the 2006 Equity Incentive Plan. In October 2014, the Company's shareholders approved the 2014 Stock Incentive Plan, under which 7,390,355 shares were reserved for purchase by the Company's employees. There are 7,300,000 options outstanding under the 2014 Stock Incentive Plan.

Compensation expense recognized for the issuance of stock options for the three ended March 31, 2018 and 2017 was as follows:

	Three Months Ended	
	March 31,	
	2018	2017
Stock-based compensation costs included in:		
Costs of sales	\$ (6)	\$ 2
Sales and marketing expense	6	19
General and administrative expense	64	50
Total stock-based compensation expense	<u>\$ 64</u>	<u>\$ 71</u>

At March 31, 2018, there was approximately \$409 of total unrecognized compensation expense related to unvested share-based awards. Generally, this expense will be recognized over the next 2.3 years and will be adjusted for any future changes in estimated forfeitures.

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

On October 15, 2015, our current CEO was awarded 4,951,557 performance shares with a grant date to be determined upon certain conditions being satisfied. Those conditions had not been met as of March 31, 2018 and no compensation expense had been recorded.

NOTE 16: SEGMENT INFORMATION AND SIGNIFICANT CUSTOMERS

Segment Information

We currently operate in one reportable segment, marketing technology solutions. Substantially all property and equipment is located at our offices in the United States, and a data center located in the United States. All sales for the three months ended March 31, 2018 and 2017 were in the United States and Canada.

Major Customers

We had 2 and 3 customers that in the aggregate accounted for 58% and 63% of accounts receivable as of March 31, 2018 and December 31, 2017, respectively.

The Company had 4 and 1 customers that accounted for 66% and 68% of revenue for the three months ended March 31, 2018 and 2017, respectively.

For the quarters ended March 31, 2018 and 2017, the Company had sales of \$417 and \$108, respectively, with a related party entity that is approximately 20% owned by a member of senior management. Accounts receivable due from the related party was \$2,503 and \$3,017 at March 31, 2018 and December 31, 2017, respectively.

NOTE 17: SUBSEQUENT EVENTS

On April 27, 2018, we entered into the Fourth Amendment to the Loan and Security Agreement with Slipstream Communications, LLC, a related party investor, under which we obtained an additional \$1.1 million revolving loan, with interest thereon at 8% per annum, maturing on January 16, 2019. In connection with the loan, we issued the lender a five-year warrant to purchase up to 4,313,725 shares of Creative Realities' common stock at a per share price of \$0.27 (subject to adjustment). The fair value of the warrants was \$543, which will be accounted for as an additional debt discount and amortized over the remaining life of the loan.

As part of the Fourth Amendment to the Loan and Security Agreement, we entered into a Secured Disbursed Escrow Promissory Note with Slipstream Communications, LLC, a related party investor, under which we obtained a three-year interest free \$264 note.

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

The following discussion contains various forward-looking statements within the meaning of Section 21E of the Exchange Act. Although we believe that, in making any such statement, our expectations are based on reasonable assumptions, any such statement may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. When used in the following discussion, the words “anticipates,” “believes,” “expects,” “intends,” “plans,” “estimates” and similar expressions, as they relate to us or our management, are intended to identify such forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties that could cause actual results to differ materially from those anticipated. Factors that could cause actual results to differ materially from those anticipated, certain of which are beyond our control, are set forth under the caption “Risk Factors” in the Company’s Form 10-K for the year ended December 31, 2017 as filed with the Securities and Exchange Commission on March 26, 2018.

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

Overview

Creative Realities, Inc. is a Minnesota corporation that provides innovative digital marketing technology solutions to retail companies, individual retail brands, enterprises, and organizations throughout the United States and certain international markets. We have 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 Creative Realities, LLC, a Delaware limited liability company, Creative Realities Canada, Inc., a Canadian corporation, and ConeXus World Global, LLC, a Kentucky limited liability company.

We generate revenue in this business by:

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

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

Our Sources of Revenue

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

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

Our Expenses

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

Critical Accounting Policies and Estimates

The Company's significant accounting policies are described in Note 2 of the Company's condensed consolidated financial statements included elsewhere in this filing. 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. Actual results could differ from those estimates.

Results of Operations

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

Three Months Ended March 31, 2018 Compared to Three Months Ended March 31, 2017

The tables presented below compare our results of operations adjusted for full retrospective adoption of certain accounting guidance described in Note 1 of the unaudited condensed consolidated financial statements from one period to another, and present the results for each period and the change in those results from one period to another in both dollars and percentage change.

	For the three months ended		Change	
	March 31,		Dollars	%
	2018	2017		
Sales	\$ 4,066	\$ 6,419	\$ (2,353)	-37%
Cost of sales (exclusive of depreciation and amortization shown below)	2,557	3,572	(1,015)	-28%
Gross profit	1,509	2,847	(1,338)	-47%
Sales and marketing expenses	503	418	85	20%
Research and development expenses	321	157	164	104%
General and administrative expenses	1,703	1,747	(44)	-3%
Depreciation and amortization expense	327	402	(75)	-19%
Lease termination expense	474	-	474	100%
Total operating expenses	3,328	2,724	604	22%
Operating income/(loss)	(1,819)	123	(1,942)	-1579%
Other income/(expenses):				
Interest expense	(574)	(410)	(164)	40%
Change in fair value of warrant liability	197	(8)	205	-2563%
Gain on settlement of debt	-	866	(866)	100%
Other income/(expense)	4	-	4	100%
Total other income/(expense)	(373)	448	(821)	-183%
Net income/(loss) before income taxes	(2,192)	571	(2,763)	-484%
Provision from income taxes	(46)	(79)	33	-42%
Net income/(loss)	\$ (2,238)	\$ 492	\$ (2,730)	-555%

Sales

Sales decreased by \$2,353 or 37% in 2018 compared to 2017 primarily as the result of a reduction on nonrecurring project sales with a longstanding client, which sales were \$4,200 in 2017 and \$1,193 in 2018. Excluding those nonrecurring project sales from the customer in each period presented, sales increased \$654, or 29% from \$2,219 to \$2,873 as the result of the continued growth of sales within our key existing customer relationships.

Gross Profit

Gross profit margin on a percentage basis decreased to 37% in 2018 from 44% in 2017, and decreased by \$1,338 in absolute dollars during the same period. The decrease in gross profit margin percentage and absolute dollars is the result of the reduction in nonrecurring project sales from one longstanding customer noted above which had a higher margin as it was services-related.

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 \$85 or 20% in 2018 compared to 2017. The increase was primarily due to an increase in payroll expense related to our growing sales force and related travel expenses.

Research and Development Expenses

Research and development expenses increased by \$164 or 104% in 2018 compared to 2017 as the result of an increase in amortization expense related to capitalized software and salaries costs driven by an increased investment in products and offerings in the most recent twelve months.

General and Administrative Expenses

Total general and administrative expenses decreased by \$44 or 3% in 2018 compared to 2017 as a result of fewer office locations operated in the current year.

Depreciation and Amortization Expenses

Depreciation and amortization expenses decreased by \$75 or 19% in 2018 compared to 2017. This decrease was primarily a result of the reduction in amortization expense relate to a lower cost basis in intangible assets as certain assets become fully amortized.

Lease Termination Expense

On August 10, 2017, we announced the planned closure of our office facilities located at 22 Audrey Place, Fairfield, New Jersey 07004 which housed our previous operations center and ceased use of the facilities in February 2018. In ceasing use of these facilities, we recorded a one-time non-cash charge of \$474 to accrue for the remaining rent under the lease term, net of anticipated subtenant rental income.

Interest Expense

See Note 8 to the condensed consolidated financial statements for a discussion of the Company's debt and related interest expense obligations.

Change in Fair Value of Warrant Liability

See Note 5 to the condensed consolidated financial statements for a discussion of the Company's non-cash change in warrant liability for the quarter ended March 31, 2018.

Gain on Settlement of Debt

In March 2017, the Company settled and/or wrote off debt of \$1,109 for \$243 cash payment and recognized a gain of \$866. This debt included \$693 of payables previously recorded by our dissolved subsidiary Broadcast International, Inc, as we had exhausted all efforts to identify and settle these obligations in the first quarter of 2017. There were no such settlements in 2018.

Summary Quarterly Financial Information

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

Quarters ended	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
Net sales	\$ 4,066	\$ 4,136	\$ 3,575	\$ 3,568	\$ 6,419
Cost of sales	2,557	2,636	2,157	1,944	3,572
Gross profit	1,509	1,500	1,418	1,624	2,847
Operating expenses, inclusive of one-time lease termination expense, excluding depreciation and amortization	3,001	2,793	4,631	2,238	2,322
Depreciation/amortization	327	321	374	408	402
Operating (loss)/income	(1,819)	(1,614)	(3,587)	(1,022)	123
Other expenses/(income)	419	(177)	679	717	(369)
Net (loss)/income	<u>\$ (2,238)</u>	<u>\$ (1,437)</u>	<u>\$ (4,266)</u>	<u>\$ (1,739)</u>	<u>\$ 492</u>

Supplemental Operating Results on a Non-GAAP Basis

The following non-GAAP data, which adjusts for the categories of expenses described below, is a non-GAAP financial measure. Our management believes that this non-GAAP financial measure is useful information for investors, shareholders and other stakeholders of our company in gauging our results of operations on an ongoing basis. We believe that EBITDA is a performance measure and not a liquidity measure, and therefore a reconciliation between net loss/income and EBITDA and Adjusted EBITDA has been provided. EBITDA should not be considered as an alternative to net loss/income as an indicator of performance or as an alternative to cash flows from operating activities as an indicator of cash flows, in each case as determined in accordance with GAAP, or as a measure of liquidity. In addition, EBITDA does not take into account changes in certain assets and liabilities as well as interest and income taxes that can affect cash flows. We do not intend the presentation of these non-GAAP measures to be considered in isolation or as a substitute for results prepared in accordance with GAAP. These non-GAAP measures should be read only in conjunction with our consolidated financial statements prepared in accordance with GAAP.

The following unaudited table presents the Company's GAAP (Net Loss) measure, and the corresponding adjustments, to calculate "EBITDA" and "Adjusted EBITDA" for the quarters ending March 31, 2018 through March 31, 2017, as adjusted for the retrospective adoption of ASU No. 2017-11:

Quarters ended	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017	March 31, 2017
GAAP net (loss)/income	\$ (2,238)	\$ (1,437)	\$ (4,266)	\$ (1,739)	\$ 492
Interest expense:					
Amortization of debt discount	345	100	328	133	195
Other interest	229	330	169	140	215
Depreciation/amortization	327	321	374	408	402
Income tax expense/(benefit)	46	(190)	77	73	79
EBITDA	<u>\$ (1,291)</u>	<u>\$ (876)</u>	<u>\$ (3,318)</u>	<u>\$ (985)</u>	<u>\$ 1,383</u>
Adjustments					
Change in warrant liability	(197)	(340)	116	369	8
Gain on settlement of debt	-	(6)	-	-	(866)
Lease termination expense	474	-	-	-	-
Additional ConeXus acquisition expense	-	-	1,971	-	-
Other expense/(income)	4	(71)	(11)	2	-
Adjusted EBITDA	<u>\$ (1,010)</u>	<u>\$ (1,293)</u>	<u>\$ (1,242)</u>	<u>\$ (614)</u>	<u>\$ 525</u>

Liquidity and Capital Resources

We have incurred net losses and negative cash flows from operating activities for the years ended December 31, 2017 and 2016. For the three months ended March 31, 2018 and 2017 we recognized net income/(loss) of \$(2,238) and \$492 respectively. As of March 31, 2018, we had cash and cash equivalents of \$742 and working capital deficit of \$(5,388).

On November 13, 2017, Slipstream Communications, LLC, a related party, extended the maturity date of our term loan to August 17, 2019 and extended the maturity date of our convertible promissory notes on a rolling quarter addition basis which is now May 25, 2019. On January 16, 2018, Slipstream extended the maturity date of our revolving promissory note to January 16, 2019. While management believes that due to the extension of our debt maturity date, our current cash balance and our operational forecast for 2018, we can continue as a going concern through at least May 15, 2019, given our net losses and working capital deficit, we obtained a continued support letter from Slipstream Communications, LLC through May 15, 2019. We can provide no assurance that our ongoing operational efforts will be successful which could have a material adverse effect on our results of operations and cash flows.

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

Operating Activities

As of December 31, 2017, we had an accumulated deficit of \$(26,231). The cash flows provided by/(used) in operating activities was \$(1,112) and \$2,979 for the three months ended March 31, 2018 and 2017, respectively. The cash used in operating activities was driven by the Company's net loss (\$2,238), reduction in accounts payable (\$489) and change in the fair value of the warrant liability (\$197) offset by recording of the lease termination liability and a reduction in accounts receivable of \$596.

Investing Activities

Net cash used in investing activities during the three months ended March 31, 2018 was (\$149) compared to (\$141) during 2017. The use of cash in both periods represents acquisition of capital assets, primarily related to the capitalization of software costs. We currently do not have any material commitments for capital expenditures as of March 31, 2018, nor do we anticipate any significant expenditures in 2018.

Financing Activities

Net cash provided by/(used in) financing activities during the three months ended March 31, 2018 was \$1,000 compared to (\$786) in 2017. The increase was related to issuance of debt in 2018 as compared to paying off debt in January 2017.

Contractual Obligations

We have no material commitments for capital expenditures, and we do not anticipate any significant capital expenditures for the remainder of 2018.

Off-Balance Sheet Arrangements

During the three months ended March 31, 2018, 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), Chief Financial Officer (principal financial officer) and VP of Finance, 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. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Based on our evaluation and those criteria, management identified that the Company's internal control over financial reporting was not effective as of March 31, 2018 and that material weaknesses exist including: (1) a deficient process to close the monthly consolidated financial statements and prepare comprehensive and timely account analysis and (2) upon adoption of ASC 606 *Revenue from Contracts with Customers*, design and implementation of related reporting and disclosure controls..

A material weakness is a control deficiency (within the meaning of Public Company Accounting Oversight Board (PCAOB) Auditing Standard No. 5) or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. Management plans to expand the scope of its remediation of its internal controls over financial reporting at the consolidated level in 2018, and to develop a plan to complete the remediation of the foregoing deficiencies.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2018 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

We were not party to any material legal proceedings as of May 15, 2018, and there were no such proceedings pending during the period covered by this Report.

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 Securities and Exchange Commission on March 26, 2018. 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

On January 16, 2018, we entered into the Third Amendment to the Loan and Security Agreement with Slipstream Communications, LLC, a related party investor, under which we obtained a \$1.0 million revolving loan, with interest thereon at 8% per annum, maturing on January 16, 2019. In connection with the loan, we issued the lender a five-year warrant to purchase up to 1,851,852 shares of Creative Realities' common stock at a per share price of \$0.27 (subject to adjustment). The fair value of the warrants on the issuance date was \$266. In connection with the issuance of the warrants, no underwriters were utilized and no commissions were paid. The Company relied upon the exemption from registration provided by Section 4(2) of the Securities Act of 1933, as amended, for such issuance.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Debt Obligations

On April 27, 2018, we entered into the Fourth Amendment to the Loan and Security Agreement with Slipstream Communications, LLC, a related party investor, under which we obtained an additional \$1.1 million revolving loan, with interest thereon at 8% per annum, maturing on January 16, 2019. In connection with the loan, we issued the lender a five-year warrant to purchase up to 4,313,725 shares of Creative Realities' common stock at a per share price of \$0.27 (subject to adjustment).

As part of the Fourth Amendment to the Loan and Security Agreement, we entered into a Secured Disbursed Escrow Promissory Note with Slipstream Communications, LLC, a related party investor, under which we obtained a three-year interest free \$264 note.

Appointment of Officers

On May 11, 2018 the Company appointed Will Logan, currently VP of Finance, to the position of Chief Financial Officer effective May 16, 2018. Mr. Logan will succeed John Walpuck, who will remain with the Company in his role as Chief Operating Officer.

Mr. Logan, 34, joined the Company as VP of Finance in November 2017 and has served as such since that date. From January 2007 until November 2017, Mr. Logan was employed by Ernst & Young, most recently as a Senior Manager in the assurance services group. Mr. Logan earned B.A. degrees in Accounting and Economics from Bellarmine University. Mr. Logan is also a Certified Public Accountant.

There are no agreements or understandings between Mr. Logan and any other person pursuant to which he was appointed as an executive officer of the Company. There are no family relations between Mr. Logan and any director or executive officer of the Company and he has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

In connection with this promotion, the Company has not currently entered into any new material plans, contracts or arrangements or amended any material plan, contract or arrangement in which Mr. Logan participates.

Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description</u>
10.1	Fourth Amendment to Loan and Security Agreement with Slipstream Communications, LLC, dated as of April 27, 2018.
10.2	Warrant to Purchase Common Stock issued to Slipstream Communications, LLC on April 27, 2018.
10.3	Second Allonge to Secured Revolving Promissory Note issued in favor of Slipstream Communications, LLC., dated as of April 27, 2018.
10.4	Second Allonge to Amended and Restated Secured Term Promissory Note issued in favor of Slipstream Communications, LLC., dated as of April 27, 2018
10.5	Secured Disbursed Escrow Promissory Note issued in favor of Slipstream Communications, LLC, in principal amount of \$264,000 dated as of April 27, 2018
31.1	Chief Executive Officer Certification pursuant to Exchange Act Rule 13a-14(a).
31.2	Chief Executive 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	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase
101.DEF	XBRL Taxonomy Extension Definition Linkbase
101.LAB	XBRL Taxonomy Extension Label Linkbase
101.PRE	XBRL Taxonomy Extension Presentation Linkbase

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.

Date: May 15, 2017

Creative Realities, Inc.

By /s/ Richard Mills
Richard Mills
Chief Executive Officer

By /s/ John Walpuck
John Walpuck
Chief Financial Officer

FOURTH AMENDMENT TO LOAN AND SECURITY AGREEMENT

This FOURTH AMENDMENT TO LOAN AND SECURITY AGREEMENT dated as of April 27, 2018 (this "Amendment") to the Loan and Security Agreement dated as of August 17, 2016 (as amended by the First Amendment thereto dated as of December 12, 2016, the Second Amendment thereto dated as of November 13, 2017 (including the Allonge dated November 13, 2017 pursuant thereto to the Revolving Note and the Term Note), the Third Amendment dated as of January 16, 2018 and as it may be further amended, 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, LLC, a Delaware limited liability company ("CRLLC"), and Conexus World Global, LLC, a Kentucky limited liability company ("Conexus") and collectively referred to together with CRI and CRLLC as the "Borrower", 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.

WHEREAS, Borrower, Broadcast International, Inc., a Utah corporation ("BII"), and the Lender are parties to the Loan Agreement, pursuant to which, *inter alia*, as of the date hereof and immediately prior to the effectiveness of this Amendment, the outstanding principal amount of the Term Loan is \$3,000,000 and the outstanding principal amount of the Revolving Loan is \$1,000,000;

WHEREAS, CRI has advised the Lender that BII has been dissolved;

WHEREAS, Borrower has requested that the Lender increase the Revolving Loan Limit from \$1,000,000 to \$2,100,000 and, upon the terms and subject to the conditions set forth in this Amendment, the Lender is willing to increase the Revolving Loan Limit from \$1,000,000 to \$2,100,000; and

WHEREAS, Slipstream Funding, LLC, a Delaware limited liability company of which the Lender is the sole member ("Funding"), entered into a Guaranty Agreement dated in August, 2014 (the "Guaranty"), for the benefit of TFJ Audrey, LLC, the landlord of certain premises in New Jersey leased to CRLLC ("Landlord"), and as an inducement to Landlord to enter into a lease for said premises (the "Lease");

WHEREAS, pursuant to the Guaranty, Funding deposited \$440,000 in escrow, upon which Landlord could draw under the circumstances set forth in the Guaranty, and of which, as of the date hereof, \$176,000 has been returned to Funding pursuant to the Guaranty and \$264,000 remains in escrow subject to the Guaranty; and

WHEREAS, CRLLC has vacated the aforesaid premises and is seeking to terminate the Lease and in connection therewith the parties hereto expect Landlord to seize the entire remaining balance of the funds held pursuant to the Guaranty, in which case Funding would have a right of immediate subrogation against and to recover from CRLLC an amount equal to said funds, and, upon the terms and subject to the conditions set forth in this Amendment, Lender is willing to defer the exercise of its rights of subrogation and recovery.

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

1. Amendments. The Loan Agreement is hereby amended as follows:

(a) The Introduction is hereby amended and restated to read in its entirety as follows:

“Borrower desires to obtain the Term Loan, and from and after the First Amendment Effective Date, the Revolving Loan, and from and after the Fourth Amendment Effective Date, the Disbursed Escrow Loan and other financial accommodations from Lender for the purpose of (i) refinancing the obligations of Borrower owed to Allied Affiliated Lending, L.P. in connection with the Factoring Agreement, as defined below, (ii) paying off certain obligations under settlement arrangements in effect as of the date hereof, (iii) to obtain working capital and (iv) having a subsidiary of Lender waive certain subrogation rights and rights of recovery, and Lender is willing to provide the Term Loan, and from and after the First Amendment Effective Date, the Revolving Loan, and from and after the Fourth Amendment Effective Date, the Disbursed Escrow Loan, in accordance with the terms and conditions of this Agreement. Capitalized terms used and not otherwise defined herein shall have the meanings assigned to them in Schedule A.”;

(b) Section 1.2 is hereby amended by adding a new subsection (d), which subsection shall read in its entirety as follows:

“(d) At any time or from time to time upon the occurrence of a Disbursed Escrow Withdrawal, such Disbursed Escrow Withdrawal shall automatically without any further action be treated as being and deemed to be a Disbursed Escrow Loan in the principal amount equal to the Disbursed Escrow Guarantee Amount with respect thereto. The Disbursed Escrow Loans are to be evidenced by, and are repayable in accordance with the terms of, the Disbursed Escrow Note and this Agreement. Each Disbursed Escrow Loan will have a maturity date on the Disbursed Escrow Maturity Date.”;

(c) Section 1.4(b) is hereby amended by inserting immediately after the phrase “all then-accrued but unpaid interest shall be paid on the Maturity Date” the phrase “with respect to the Revolving Note and the Term Note, and on the Disbursed Escrow Maturity Date with respect to the Disbursed Escrow Note”;

(d) Section 1.5 is hereby amended by inserting immediately after the phrase “and second to the Term Loan” the phrase “and third to the Disbursed Escrow Loan”;

(e) Section 1.6 is hereby amended and restated so that as so amended and restated it reads in its entirety as follows:

“Warrant. On the Closing Date, CRI will execute and deliver to the Lender the Warrant in substantially the form attached hereto as Exhibit B.”

(f) The second sentence of Section 3.3 is hereby amended by inserting immediately after the phrase “As of the Closing Date, each Loan Document (other than the First Amendment, as to which as of the First Amendment Effective Date and other than the Second Amendment, as to which as of the Second Amendment Effective Date and other than the Third Amendment, as to which as of the Third Amendment Effective Date” and immediately before the closing of the parenthetical therein, the phrase “and other than the Fourth Amendment, as to which as of the Fourth Amendment Effective Date”;

(g) Schedule A is hereby amended by adding the following definitions, in appropriate alphabetical order:

- i) “Disbursed Escrow Advance’ means each advance of a Disbursed Escrow Loan made or deemed made pursuant to this Agreement.”;
- ii) “Disbursed Escrow Guarantee Amount’ means at any time the then aggregate amount Disbursed from the escrow under that certain Guaranty (as defined in the Fourth Amendment) to any party other than Funding.”;
- iii) “Disbursed Escrow Loan’ means at any time the then Disbursed Escrow Guarantee Amount.”;
- iv) “Disbursed Escrow Maturity Date’ means the third anniversary of the Disbursed Escrow Trigger Date.”;
- v) “Disbursed Escrow Note’ means the Disbursed Escrow Promissory Note dated as of the Disbursed Escrow Payment Date in the form of Exhibit A-1 hereto.”;
- vi) “Disbursed Escrow Trigger Date’ means the first date upon which occurs any Disbursed Escrow Withdrawal.”;
- vii) “Disbursed Escrow Withdrawal’ means the disbursement of all or any portion of the Disbursed Escrow Guarantee Amount from the escrow under the Guaranty to any party other than Funding (as defined in the Fourth Amendment).”;
- viii) “Fourth Amendment’ means the Fourth Amendment to Loan and Security Agreement dated as of April __, 2018, among Borrower and Lender.”;
- ix) “Fourth Amendment Effective Date’ shall have the meaning specified therefor in Section 3 of the Fourth Amendment.”;
- x) “Fourth Amendment Warrant’ means a Warrant in the form of Exhibit A-4 hereto.”; and
- xi) “PIK’ has the meaning set forth in the definition of Loan Rate.”; and

(h) Schedule A is hereby amended by:

- i) amending the definition of Loan Documents by (A) inserting immediately after the phrase “and from and after the Third Amendment Effective Date, the Third Amendment and the Third Amendment Warrant (as defined in the Third Amendment)” the phrase “and from and after the Fourth Amendment Effective Date, the Fourth Amendment, the Disbursed Escrow Note and the Fourth Amendment Warrant (as defined in the Fourth Amendment)” and (B) deleting the phrase “(including any Extension Warrant)”;

- ii) Amending the defined term “Obligations” by (A) inserting immediately after the words “the Revolving Note” in both places where they appear the words “or the Disbursed Escrow Note” and (B) inserting after the phrase “the Term Loan” in both places where it appears, the phrase “or the Revolving Loan, or after the Disbursed Escrow Maturity Date with respect to the Disbursed Escrow Loan, as the case may be”; and
- iii) Deleting the defined term “Extension Warrant”;
- iv) amending and restating the following definitions so in each case as so amended and restated they read in their respective entireties as follows:
 - (A) “‘Advance’ means the Revolving Advances, the Term Loan Advance and each Disbursed Escrow Advance.”;
 - (B) “‘Loan Rate’ means eight percent (8.0%) per annum; provided however at all times when the aggregate outstanding principal amount of the Term Loan and the Revolving Loan (excluding the additional principal added pursuant to this proviso) exceeds \$4,000,000 then the Loan Rate shall be ten percent (10%), of which eight percent (8%) shall be payable in cash and two percent (2%) shall be paid by the issuance of and treated as additional principal of the Term Loan (the “PIK”); provided, further, however, that the Loan Rate with respect to the Disbursed Escrow Loan shall be zero percent (0%).”;
 - (C) “‘Loans’ means the Revolving Loan, the Term Loan and the Disbursed Escrow Loan.”; and
 - (D) “‘Notes’ means the Revolving Note, the Term Note and the Disbursed Escrow Note.”.

2. Representations and Warranties. Borrower hereby represents and warrants 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 Borrower to the Lender pursuant to this Amendment, the Loan Agreement or any other Loan Document on or prior to the Fourth Amendment Effective Date (as defined below) 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 Fourth Amendment Effective Date 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), and no Default or Event of Default has occurred and is continuing as of the Fourth Amendment Effective Date or would result from this Amendment becoming effective in accordance with its terms.

- b) Authorization, Etc. The execution, delivery and performance by Borrower 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.
3. 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 "Fourth 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 Fourth 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 Fourth 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).
 - b) No Default; Event of Default. No Default or Event of Default shall have occurred and be continuing on the Fourth 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 Fourth Amendment Effective Date the following, each in form and substance reasonably satisfactory to the Lender and, unless indicated otherwise, dated the Fourth Amendment Effective Date:
- i) this Amendment, duly executed by each Borrower;
 - ii) Second Allonge to the Term Note in the form of Exhibit A-3, duly executed by each Borrower;
 - iii) Second Allonge to the Revolving Note in the form of Exhibit A-2, duly executed by each Borrower
 - iv) the Disbursed Escrow Note, duly executed by each Borrower;
 - v) the Fourth Amendment Warrant, duly executed by CRI; and
 - vi) a certificate of an authorized officer of each Borrower, certifying as to the matters set forth in subsections (a) and (b) of this Section 3.

4. 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 Fourth 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.

5. 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 Borrower 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 Borrower agrees) 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 "Releasers") 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 Releaser 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 Fourth Amendment Effective Date.
6. Miscellaneous.
- a) Borrower will pay on demand all reasonable and documented out-of-pocket fees, costs and expenses of the Lender, including, without limitation, fees, costs and expenses of the Office of Andrew Ross, counsel to the Lender, in connection with the structuring, preparation, negotiation, execution and delivery of this Amendment and the transactions and all documents contemplated herein, 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) Borrower hereby acknowledges and agrees 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) Lender, on behalf of itself and Funding, hereby forebears from exercising any right of subrogation or other right of recovery against CRLLC with respect to the disbursement of any funds under the Guaranty to any party other than Funding so long as any such disbursement is used in calculating a Disbursed Escrow Loan pursuant to the Loan and Security Agreement as amended hereby and the Borrowers treat it as such and no Borrower, any trustee in bankruptcy or any other party challenges its treatment as such or seeks to recover any payment of or with respect to any Disbursed Escrow Loan, including interest paid thereon.
7. Covenant by Borrower. Borrower covenants and agrees that at any time upon the request of Lender, Borrower will cause Wireless Ronin Technologies, Corp., a Canadian company and subsidiary of CRI to become a party to the Agreement.
8. 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.
9. 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.
10. Submission To Jurisdiction; Waiver Of Jury Trial.
- a) 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 BORROWER 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. BORROWER EXPRESSLY SUBMITS AND CONSENTS IN ADVANCE TO SUCH JURISDICTION IN ANY ACTION OR SUIT COMMENCED IN ANY SUCH COURT, AND 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 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.

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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.

BORROWER:

CREATIVE REALITIES, INC.

By: /s/ Rick Mills
RICK MILLS, *Chief Executive Officer*

CREATIVE REALITIES, LLC

By: /s/ Rick Mills
RICK MILLS, *Chief Executive Officer*

CONEXUS WORLD GLOBAL, LLC

By: /s/ Rick Mills
RICK MILLS, *Chief Executive Officer*

Address for Notice (for all Borrowers):
Creative Realities, Inc.
Attention: Chief Financial Officer
22 Audrey Place
Fairfield, NJ 07004

LENDER:

SLIPSTREAM COMMUNICATIONS, LLC

By: /s/ Alec Machiels
Name: Alec Machiels
Title: Manager

Address for Notice:
850 3rd Avenue, 18th Floor
New York, NY 10022
Attn: Mr. Alec Machiels

Exhibit A-1
Form of Disbursed Escrow Note

Exhibit A-2
Form of Second Allonge to Revolving Note

Exhibit A-3
Form of Second Allonge to Term Note

Exhibit A-4
Form of Fourth Amendment Warrant

NEITHER THIS WARRANT NOR ANY OF THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR UNDER THE SECURITIES LAWS OF ANY OTHER JURISDICTION. BY ACQUIRING THIS WARRANT, HOLDER AGREES TO NOT SELL OR OTHERWISE DISPOSE OF THIS WARRANT OR THE SECURITIES ISSUABLE UPON EXERCISE OF THIS WARRANT WITHOUT REGISTRATION OR THE APPLICABILITY OF AN EXEMPTION FROM REGISTRATION UNDER THE AFORESAID ACTS, AND THE RULES AND REGULATIONS THEREUNDER.

WARRANT TO PURCHASE COMMON STOCK

Number of Shares of Common Stock: 4,313,725 (subject to adjustment as provided herein) Date of Issuance: April 27, 2018 (“Issuance Date”)

THIS CERTIFIES THAT, for value received, Slipstream Communications, LLC (including any permitted and registered assigns, the “Holder”), is entitled to purchase from Creative Realities, Inc., a Minnesota corporation (the “Company”), up to 4,313,725 shares of Common Stock of the Company (the “Warrant Shares”) at the Exercise Price hereunder then in effect. This Warrant to Purchase Common Stock (this “Warrant”) is issued by the Company in connection with an increase in the maximum amount permitted to be borrowed by the Company from the Holder under a Secured Revolving Promissory Note (as amended, the “Note”) pursuant to the terms and conditions of a Loan and Security Agreement by and among the Company, certain of its subsidiaries, and Slipstream Communications, LLC, dated of even date herewith (as amended, the “Loan and Security Agreement”). For purposes of this Warrant, the term “Exercise Price” shall mean \$0.255 per share, subject to adjustment as provided herein, and the term “Exercise Period” shall mean the period commencing on the Issuance Date and ending on 5:00 p.m. New York time on the five-year anniversary of the date of this Warrant.

1. EXERCISE OF WARRANT.

(a) *Mechanics of Exercise.* Subject to the terms and conditions hereof, including but not limited to the provisions of Section 1(c) below, the rights represented by this Warrant may be exercised in whole or in part at any time or times during the Exercise Period by delivery of a written notice, in the form attached hereto as Exhibit A (the “Exercise Notice”), of the Holder’s election to exercise this Warrant. The Holder shall not be required to deliver the original Warrant in order to effect an exercise hereunder. Execution and delivery of the Exercise Notice with respect to less than all of the Warrant Shares shall have the same effect as cancellation of the original Warrant and issuance of a new Warrant evidencing the right to purchase the remaining number of Warrant Shares. On or before the third Trading Day (the “Warrant Share Delivery Date”) following the date on which the Company shall have received the Exercise Notice, and upon receipt by the Company of (i) payment to the Company of an amount equal to the applicable Exercise Price multiplied by the number of Warrant Shares as to which this Warrant is being exercised (the “Aggregate Exercise Price” and together with the Exercise Notice, the “Exercise Delivery Documents”) in cash or by wire transfer of immediately available funds or (ii) notification from the Holder that this Warrant is being exercised pursuant to a Cashless Exercise, as defined below, the Company shall issue and dispatch by overnight courier to the address as specified in the Exercise Notice, a certificate, registered in the Company’s share register in the name of the Holder or its designee, for the number of shares of Common Stock to which the Holder is entitled pursuant to such exercise (or credit the Holder’s account through an electronic delivery of Common Stock through the DWAC system of the Depository Trust Company, if requested). Upon delivery of the Exercise Delivery Documents, the Holder shall be deemed for all corporate purposes to have become the holder of record of the Warrant Shares with respect to which this Warrant has been exercised, irrespective of the date of delivery of the certificates evidencing such Warrant Shares. If this Warrant is submitted in connection with any exercise pursuant to Section 1(c) and the number of Warrant Shares represented by this Warrant submitted for exercise is greater than the number of Warrant Shares being acquired upon an exercise, then the Company shall as soon as practicable, and in no event later than three business days after any exercise and at its own expense, issue a new Warrant representing the right to purchase the number of Warrant Shares purchasable immediately prior to such exercise under this Warrant, less the number of Warrant Shares with respect to which this Warrant is exercised.

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

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

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

For purposes of the foregoing formula:

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

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

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

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

(e) By accepting this Warrant, the Holder agrees that with respect to the issuance of Warrants for any increase in the amount borrowed under the Revolver Loan or the Disbursed Escrow Loan, but specifically not the Term Loan or otherwise, this Warrant, including Section 2(e) hereof, supersedes Section 2(e) of (i) that certain Warrant issued by CRI, dated August 16, 2017, for 5,882,352 shares of Common Stock (subject to adjustment as set forth therein), and (ii) that certain Warrant issued by CRI, dated January 16, 2018 for 1,851,851 shares of Common Stock (subject to adjustment as set forth therein).

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

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

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

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

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

(c) *Other Events.* If any event occurs of the type contemplated by the provisions of this Section 2(a) or (b) but not expressly provided for by such provisions (including without limitation the granting, on a pro rata basis to the holders of the Common Stock, of stock-appreciation rights, phantom stock units or other shareholder rights with equity features), then the Company's Board of Directors will make an appropriate adjustment in the Exercise Price and the number of Warrant Shares so as to protect the rights of the Holder. For the avoidance of doubt, the parties agree this Section 2(c) shall not apply to (i) the issuance of Common Stock upon the exercise of options or warrants not granted to the shareholders of the Company as a whole, or (ii) the issuance of Common Stock, stock options, stock-appreciation rights, restricted stock units, or other forms of equity or equity-linked compensation under the Company's equity incentive or purchase plans duly adopted by a majority of the nonemployee members of the Board of Directors of the Company or a committee of non-employee directors established for such purpose.

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

$$AEP = EP \times \frac{OS + ((DIS \times DIP)/EP)}{(OS + DIS)}$$

For purposes of the foregoing formula: AEP = Adjusted Exercise Price

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

OS = Total number of shares of Common Stock and Common Stock Equivalents outstanding immediately prior to the Dilutive Issuance (excluding, however, Common Stock and Common Stock Equivalents outstanding on account of Exempt Issuances)

DIS = Total number of shares of Common Stock and Common Stock Equivalents issued in the Dilutive Issuance

DIP = The per-share price at which Common Stock or Common Stock Equivalents were issued in the Dilutive Issuance

Any such adjustment shall be made whenever such Common Stock or Common Stock Equivalents are issued; provided, however, that (i) if an adjustment is made on account of a Dilutive Issuance of Common Stock Equivalents, then the subsequent issuance of actual Common Stock upon conversion or exercise of such Common Stock Equivalents will not result in a second adjustment, and (ii) notwithstanding anything in this Warrant to the contrary, no adjustments shall be made under this Section 2(d) in respect of an Exempt Issuance.

(e) *Additional Revolving Loans under the Loan and Security Agreement.* If at any time that a Revolving Advance (as defined in the Loan and Security Agreement) is made under the Loan and Security Agreement and the aggregate amount of all Revolving Advances made under the Loan and Security Agreement (whether or not outstanding) exceeds \$2,000,000, then the number of Warrant Shares issuable upon exercise of this Warrant shall be increased by the product of (the quotient of the amount of such most recent Advance divided by \$0.255) multiplied by 1.0.

3. FUNDAMENTAL TRANSACTIONS. If, at any time while this Warrant is outstanding, (i) the Company effects any merger of the Company with or into another entity and the Company is not the surviving entity, (ii) the Company effects any sale of all or substantially all of its assets in one or a series of related transactions, (iii) any tender offer or exchange offer (whether by the Company or by another individual or entity, and approved by the Company) is completed pursuant to which holders of Common Stock are permitted to tender or exchange their shares of Common Stock for other securities, cash or property or (iv) the Company effects any reclassification of the Common Stock or any compulsory share exchange pursuant to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (other than as a result of a subdivision or combination of shares of Common Stock covered by Section 2(a) above) (in any such case, a “Fundamental Transaction”), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive the number of shares of Common Stock of the successor or acquiring corporation or of the Company and any additional consideration (the “Alternate Consideration”) receivable upon or as a result of such reorganization, reclassification, merger, consolidation or disposition of assets by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such event (disregarding any limitation on exercise contained herein solely for the purpose of such determination). For purposes of any such exercise, the determination of the Exercise Price shall be appropriately adjusted to apply to such Alternate Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Company shall apportion the Exercise Price among the Alternate Consideration in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holder shall be given the same choice as to the Alternate Consideration it receives upon any exercise of this Warrant following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Company or surviving entity in such Fundamental Transaction shall issue to the Holder a new warrant consistent with the foregoing provisions and evidencing the Holder’s right to exercise such warrant into Alternate Consideration.

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

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

6. REISSUANCE OF WARRANTS.

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

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

7. TRANSFER.

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

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

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

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

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

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

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

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

(a) "Bloomberg" means Bloomberg Financial Markets.

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

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

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

(e) “Exempt Issuance” means the issuance of (i) shares of Common Stock or options to employees, officers, directors or unaffiliated consultants of the Company pursuant to any stock or option plan duly adopted by a majority of the non-employee members of the Board of Directors of the Company or a majority of the members of a committee of non-employee directors established for such purpose, (ii) any securities upon the exercise or conversion of any securities issued pursuant to the this Warrant or other warrants issued under the Loan and Security Agreement, (iii) any Common Stock upon the exercise or conversion of securities that are issued and outstanding as of the Issuance Date, (iv) securities issued pursuant to or in connection with acquisitions or strategic transactions approved by a majority of the disinterested directors of the Company, (v) shares of Common Stock issued or issuable in connection with regularly scheduled dividend payments on the Company’s Series A Preferred Stock or Series A-1 Preferred Stock, and (vi) shares of Common Stock issued pursuant to any loan or leasing arrangement, real property leasing arrangement, or debt financing from a bank approved by the Board of Directors of the Company.

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

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

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

(i) “Weighted Average Price” means, for any security as of any date, (i) the dollar- volume weighted-average price for such security on the Principal Market during the period beginning at 9:30 a.m., New York City time, and ending at 4:00 p.m., New York City time, as reported by Bloomberg or (ii) if the foregoing does not apply, the dollar-volume weighted-average price of such security in the over-the-counter market for such security during the period beginning at 9:30 a.m., New York City time, and ending at 4:00 p.m., New York City time, as reported by Bloomberg, or (iii) if no dollar-volume weighted-average price is reported for such security by Bloomberg for such hours, the average of the highest closing bid price and the lowest closing ask price of any of the market makers for such security as reported in OTC Markets. If the Weighted Average Price cannot be calculated for such security on such date on any of the foregoing bases, the Weighted Average Price of such security on such date shall be the fair market value as mutually determined by the Company and the Holder. If the Company and the Holder are unable to agree upon the fair market value of such security, then such dispute shall be resolved pursuant to Section 11 with the term “Weighted Average Price” being substituted for the term “Exercise Price.” All such determinations shall be appropriately adjusted for any share dividend, share split or other similar transaction during such period.

14. REGISTRATION RIGHTS.

(a) Demand Registration. The Company shall file, within 45 days after written demand therefor by the Holder, and thereafter use its commercially reasonable efforts to effect, registration under the Securities Act for the resale of the Warrant Shares; provided, however, that (i) the Company shall not be obligated to take any action to effect any such registration if the Holder fails to reasonably cooperate in providing the Company with all information reasonably required to be included in the applicable registration statement or otherwise required to be obtained by the Company for purposes of preparing and filing the registration statement and any amendments thereto, and (ii) the obligations of the Company upon any such demand shall be subject to the provisions of paragraph (c) below. Once declared effective by the SEC, the Company shall use its best efforts to keep the applicable registration statement effective until the earliest of (A) such time as all of the Warrant Shares shall have been sold or (B) at least three years have passed since the Issuance Date (as applicable, the “Registration Expiration”).

(b) Piggyback Registration.

(i) If, but without any obligation under this Agreement to do so, the Company proposes to register, including for this purpose a registration effected by the Company for holders of Company securities other than the Holder, any of its securities under the Securities Act, other than a registration relating solely to the sale of securities to participants in an equity incentive plan on Form S-8, or a registration on Form S-4 relating solely to a transaction pursuant to the SEC’s Rule 145 (or any successors to such forms), the Company shall at such time promptly give the Holder written notice of such proposed registration. Upon the written request of the Holder given within 20 business days after the giving of notice by the Company, the Company shall, subject to the provisions of paragraph (c) below, cause to be registered under the Securities Act all of the Warrant Shares that the Holder shall have requested to be registered; provided, however, that the Company shall not be obligated to take any action to effect any such registration if the Holder fails to reasonably cooperate in providing the Company with all information reasonably required to be included in the applicable registration statement or otherwise required to be obtained by the Company for purposes of preparing and filing that registration statement and any amendments thereto.

(ii) In connection with any offering involving an underwriting of the Company’s common securities, the Company shall not be required under this Section 14(b) to include any of Holder’s Warrant Shares in such underwriting unless the Holder accepts the terms of the underwriting as agreed upon between the Company and the underwriters selected by the Company (or by other persons entitled to select the underwriters).

(iii) No incidental right under this Section 14(b) shall be construed to limit any registration required under Section 14(a). The piggyback registration rights in this Section 14(b) shall continue until the Registration Expiration.

(c) Cut-Back Provision. With respect to any registration under Section 14(b), but not any registration under Section 14(a), if, for any reason, the SEC, (in consultation with Company counsel, and based on existing written SEC guidance or applicable rules), or one of the lead underwriters participating in an underwritten primary offering, requires that the number of Warrant Shares to be registered for resale pursuant to the applicable registration statement be reduced (in order to comply with SEC rules or guidance, or in order to facilitate the success of the offering as determined by the lead underwriters), then such reduction shall be allocated pro rata among all holders whose shares (but not limited to Warrant Shares) have been included (or are eligible for inclusion) for resale under the registration statement until the reduction so required shall have been effected.

(d) Registration Expenses. All expenses incurred by the Company in complying with Section 14, including without limitation all registration and filing fees, printing expenses (if required), fees and disbursements of counsel and independent public accountants for the Company, fees of the FINRA, transfer taxes, and fees of transfer agents and registrars, are called “Registration Expenses.” The Company will pay all Registration Expenses in connection with any registration hereunder.

* * * * *

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

CREATIVE REALITIES, INC.

/s/ John Walpuck

John Walpuck

Chief Financial Officer/Chief Operating Officer

EXHIBIT A

**FORM OF
EXERCISE NOTICE**

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

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

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

D a cash exercise with respect to _____ Warrant Shares; and/or

D a "Cashless Exercise" with respect to _____ Warrant Shares.

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

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

Date: _____

(Print Name of Registered Holder)

By: _____
Name: _____
Title: _____

EXHIBIT B

**FORM OF
ASSIGNMENT OF WARRANT**

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

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

Date: _____

(Signature) *

(Name)

(Address)

(Social Security or Tax Ident. No.)

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

EXHIBIT A-3 TO FOURTH AMENDMENT OF LOAN AND SECURITY AGREEMENT

SECOND ALLONGE

This Second Allonge (“Allonge”), dated April 27, 2018, is to the Secured Revolving Promissory Note dated as of December 12, 2016 in the maximum principal amount outstanding at any time of \$1,000,000.00 (as amended by an Allonge dated November 13, 2017, the “Note”) made by Creative Realities, Inc., a Minnesota corporation, Creative Realities, LLC, a Delaware limited liability company, and Conexus World Global, LLC, a Kentucky limited liability company, jointly and severally (each, and together herein referred to as “Maker”), payable to the order of Slipstream Communications, LLC, an Anguillan limited liability company (the “Holder”).

The Note was issued pursuant to that certain Loan and Security Agreement by and between, *inter alia*, Maker and the initial Holder dated as of August 16, 2016 (as amended by the First Amendment thereto dated as of the First Amendment Effective Date, the Second Amendment thereto dated as of the Second Amendment Effective Date, the Third Amendment thereto dated as of the Third Amendment Effective Date, and the Fourth Amendment thereto dated as of the date hereof, and as it may be further amended, restated, supplemented, modified or otherwise changed from time to time, the “Loan Agreement”), and are subject to the terms and conditions thereof.

The Note is hereby amended as follows:

- (a) The two references therein to “\$1,000,000” are hereby changed to “\$2,100,000”; and
- (b) Section 1(a) of the Note is hereby amended to insert after the phrase “in cash” the phrase “(except as provided in the Loan Agreement)”.

Except as expressly amended hereby, the Note, including without limitation the default and acceleration provisions thereof, remain in full force and effect, and Makers hereby confirm their liability thereunder to Holder.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Second Allonge is executed and attached, or copies attached, to the Note on the date first set forth above.

MAKERS

CREATIVE REALITIES, INC.

CREATIVE REALITIES, LLC

CONEXUS WORLD GLOBAL, LLC

By: /s/ Richard Mills

Name: Richard Mills

Title: CEO

HOLDER

SLIPSTREAM COMMUNICATIONS, LLC

By: /s/ Alec Machiels

Alec Machiels

[Signature page to Second Allonge to Secured Revolving Promissory Note]

EXHIBIT A-2 TO FOURTH AMENDMENT OF LOAN AND SECURITY AGREEMENT

SECOND ALLONGE

This Second Allonge (“Allonge”), dated April 27, 2018, is to the Amended and Restated Secured Term Promissory Note, dated as of August 16, 2016 in the principal amount of \$3,000,000.00 (as amended by an Allonge dated November 13, 2017, the “Note”) made by Creative Realities, Inc., a Minnesota corporation, Creative Realities, LLC, a Delaware limited liability company, and Conexus World Global, LLC, a Kentucky limited liability company, jointly and severally (each, and together herein referred to as “Maker”), payable to the order of Slipstream Communications, LLC, an Anguillan limited liability company (the “Holder”).

The Note was issued pursuant to that certain Loan and Security Agreement by and between, *inter alia*, Maker and the initial Holder dated as of August 16, 2016 (as amended by the First Amendment thereto dated as of the First Amendment Effective Date, the Second Amendment thereto dated as of the Second Amendment Effective Date, the Third Amendment thereto dated as of the Third Amendment Effective Date, and the Fourth Amendment thereto dated as of the date hereof, and as it may be further amended, restated, supplemented, modified or otherwise changed from time to time, the “Loan Agreement”), and are subject to the terms and conditions thereof.

The Note is hereby amended as follows:

- (a) Inserting in the preamble immediately after the phrase “the principal amount of \$3,000,000 (USD)” the phrase “plus all PIK”; and
- (b) Section 1(a) of the Note is hereby amended to insert after the phrase “in cash” the phrase “(except as provided in the Loan Agreement)”.

Except as expressly amended hereby, the Note, including without limitation the default and acceleration provisions thereof, remain in full force and effect, and Makers hereby confirm their liability thereunder to Holder.

[REST OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, this Second Allonge is executed and attached, or copies attached, to the Note on the date first set forth above.

MAKERS

CREATIVE REALITIES, INC.
CREATIVE REALITIES, LLC
CONEXUS WORLD GLOBAL, LLC

By: /s/ Richard Mills

Name: Richard Mills

Title: CEO

HOLDER

SLIPSTREAM COMMUNICATIONS, LLC

By: /s/ Alec Machiels

Alec Machiels

[Signature page to Second Allonge to Amended and Restated Secured Term Promissory Note]

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THIS NOTE MAY NOT BE OFFERED FOR SALE OR SOLD IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE STATE SECURITIES LAWS; OR AN OPINION OF COUNSEL, IN FORM AND SUBSTANCE ACCEPTABLE TO THE ISSUER, THAT REGISTRATION IS NOT REQUIRED.

SECURED DISBURSED ESCROW PROMISSORY NOTE

Issuance Date: April 27, 2018

\$264,000

FOR VALUE RECEIVED, Creative Realities, Inc., a Minnesota corporation ("CRI"), Creative Realities, LLC, a Delaware limited liability company ("CRLLC"), and Conexus World Global, LLC, a Kentucky limited liability company ("Conexus," and collectively referred to together with CRI and CRLLC as the "Maker"), hereby promises to pay to the order of Slipstream Communications, LLC, an Anguillan limited liability company, or its successors or assigns (as applicable, the "Holder"), the principal amount of \$264,000 (USD), or such lesser amount as actually advanced as a Disbursed Escrow Loan pursuant to that certain Loan and Security Agreement by and between Maker and initial Holder dated as of August 17, 2016 (as amended, modified, restated, waived or supplemented, the "Loan and Security Agreement"), in accordance with the terms hereof and the Loan and Security. This Secured Disbursed Escrow Promissory Note is hereinafter referred to as the "Note" and is the Disbursed Escrow Note referred to in the Loan and Security Agreement. Capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the Loan and Security Agreement.

1. INTEREST AND PAYMENTS

(a) Interest. The principal amount of this Note will bear simple interest (calculated in the manner provided in the Loan and Security Agreement) at the rate equal to the Loan Rate, subject to increase as provided in the Loan and Security Agreement. Interest will be payable in cash on a monthly basis in arrears on the first Business Day of each month, with the first interest payment due on the first Business Day of the first month after the Disbursed Escrow Trigger Date.

(b) Term and Payment; Application. The principal amount of this Note, together with all accrued but unpaid interest and any other sums owed hereunder, shall be due and payable at the close of business on the Disbursed Escrow Maturity Date. All payments and prepayments shall be applied first to any costs payable under this Note or the Loan and Security Agreement, second to accrued but unpaid interest, and third to principal.

(c) Prepayment. Maker may at its option prepay all principal and interest owed under this Note, in whole or in part, at any time and from time to time, without penalty or premium.

2. TRANSFER, EXCHANGE AND REPLACEMENT

(a) Transfer or Exchange. This Note has not been and is not being registered under the provisions of the Securities Act of 1933 (the “Securities Act”) or any state securities laws and this Note may not be transferred prior to the end of the holding period applicable to sales under Rule 144 unless in accordance with applicable law and unless: (1) the transferee is an “accredited investor” (as defined in Regulation D under the Securities Act) and (2) the Holder shall have delivered to Maker an opinion of counsel, reasonably satisfactory in form, scope and substance to Maker, to the effect that this Note may be sold or transferred without registration under the Securities Act. Upon surrender of any Note for registration of transfer or for exchange to CRI at its principal office, Maker at its sole expense will execute and deliver in exchange therefor a new Note or Notes, as the case may be, as requested by the Holder or transferee, which aggregate principal amount is equal the unpaid principal amount of such Note, registered as such Holder or transferee may request; provided, however, that this Note may not be transferred by Holder to any Person other than Holder’s affiliates without the prior written consent of Maker. Maker shall be entitled to regard the registered Holder of this Note as the Holder of the Note so registered for all purposes until Maker or its agent, as applicable, is required to record a transfer of this Note on its register.

(b) Replacement. Upon notice to Maker of the loss, theft, destruction or mutilation of this Note, and, in the case of loss, theft or destruction, of an indemnification undertaking by the Holder to Maker in a form reasonably acceptable to Maker and, in the case of mutilation, upon surrender and cancellation of the Note, Maker shall execute and deliver a new Note of like tenor and date and in substantially the same form as this Note.

3. DEFAULTS AND REMEDIES

An Event of Default shall occur when and as provided in the Loan and Security Agreement and, upon any such default, the Holder shall have the remedies described in the Loan and Security Agreement.

4. AMENDMENT AND WAIVER

The provisions of this Note may not be modified, amended or waived, and Maker may not take any action herein prohibited, or omit to perform any act herein required to be performed by it, without the written consent of the Holder.

5. MAKER’S WAIVER OF NOTICE

To the extent permitted by law, Maker hereby waives demand, notice, protest and all other demands and notices in connection with the delivery, acceptance, performance, default or enforcement of this Note, except as may be set forth in the Loan and Security Agreement.

6. GOVERNING LAW

This Note shall be construed and enforced in accordance with, and all questions concerning the construction, validity, interpretation and performance of this Note shall be governed by, the laws of the State of New York, without giving effect to provisions thereof regarding conflict of laws.

7. INDEMNITY AND EXPENSES

Maker agrees to pay and reimburse the Holder upon demand for all reasonable costs and expenses (including without limitation reasonable attorneys' fees and expenses) that the Holder may incur in enforcing its rights under this Note (including but not limited to collection).

8. NO WAIVER OF ENFORCEMENT RIGHTS

No failure or delay on the part of this Note in the exercise of any power, right or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such power, right or privilege preclude other or further exercise thereof or of any other right, power or privilege.

9. NOTICE

Notices shall be given at the address for Maker or Holder, as applicable, indicated in the Loan and Security Agreement. Notice shall be deemed to have been given as described in the Loan and Security Agreement.

10. JOINT AND SEVERAL

All obligations of Maker under this Note shall be joint and several.

* * * * *

IN WITNESS WHEREOF, the undersigned have set their hands to this Secured Disbursed Escrow Promissory Note as of the date first set forth above.

MAKER:

CREATIVE REALITIES, INC.

By: /s/ Rick Mills

Rick Mills
Chief Executive Officer

CREATIVE REALITIES, LLC

By: /s/ Rick Mills

Rick Mills
Chief Executive Officer

CONEXUS WORLD GLOBAL, LLC

By: /s/ Rick Mills

Rick Mills
Chief Executive Officer

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

I, Richard Mills, certify that:

1. I have reviewed this annual report on Form 10-Q for the three months ended March 31, 2018, of Creative Realities, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 15, 2018

By: /s/ Richard Mills

Richard Mills

Chief Executive Officer

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

I, John Walpuck, certify that:

1. I have reviewed this annual report on Form 10-Q for the three months ended March 31, 2018, of Creative Realities, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: May 15, 2018

By: /s/ John Walpuck

John Walpuck

Chief Financial Officer and Chief Operating Officer

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

In connection with the Annual Report of Creative Realities, Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2018, 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: May 15, 2018

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

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

In connection with the Annual Report of Creative Realities, Inc. (the "Company") on Form 10-Q for the three months ended March 31, 2018, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Walpuck, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: May 15, 2018

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