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

FORM 8-K

CURRENT REPORT

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

Date of Report (date of earliest event reported): February 3, 2022

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

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

13100 Magisterial Drive, Suite 100, Louisville, KY	**40223**
(Address of principal executive offices)	(Zip Code)

(502) 791-8800
(Registrant's telephone number, including area code)

Not applicable
(Former name or former address, if changed since last report)

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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

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

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

Item 1.01 Entry into a Material Definitive Agreement.

On February 3, 2022, Creative Realities, Inc., a Minnesota corporation (the "Company"), entered into a securities purchase agreement (the "Securities Purchase Agreement") with a purchaser (the "Purchaser"), pursuant to which the Company agreed to issue and sell to the Purchaser, in a private placement priced at-the-market under Nasdaq rules, (i) 1,315,000 shares (the "Shares") of the Company's common stock, par value $0.01 per share (the "Common Stock") and accompanying warrants to purchase an aggregate of 1,315,000 shares of Common Stock, and (ii) pre-funded warrants to purchase up to an aggregate of 5,851,505 shares of Common Stock (the "Pre-Funded Warrants") and accompanying warrants to purchase an aggregate of 5,851,505 shares of Common Stock (collectively, the "Private Placement"). The accompanying warrants to purchase Common Stock are referred to herein collectively as the "Common Stock Warrants." Under the Securities Purchase Agreement, each Share and accompanying warrants to purchase Common Stock are being sold together at a combined price of $1.535, and each Pre-Funded Warrant and accompanying warrants to purchase Common Stock are being sold together at a combined price of $1.5349, for gross proceeds of approximately $11.0 million, before deducting placement agent fees and estimated offering expenses payable by the Company.

The Private Placement closed on February 3, 2022. The Company intends to use the net proceeds from the Private Placement to fund, in part, payment of the closing cash consideration in its pending merger transaction (the "Merger") with Reflect Systems, Inc. ("Reflect"), which is expected to be completed on or about February 15, 2022.

Each Pre-Funded Warrant to be issued will have an exercise price of $0.0001 per share, will be exercisable immediately and will be exercisable until the Pre-Funded Warrant is exercised in full. The Common Stock Warrants will expire five years from the date of issuance, will have an exercise price of $1.41 per share and will be exercisable immediately.

Under the terms of the Pre-Funded Warrants and the Common Stock Warrants, the Company may not effect the exercise of any such warrant, and a holder will not be entitled to exercise any portion of any such warrant, if, upon giving effect to such exercise, the aggregate number of shares of Common Stock beneficially owned by the holder (together with its affiliates) would exceed 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of such warrant, which percentage may be increased or decreased at the holder's election upon 61 days' notice to the Company subject to the terms of such warrants, provided that such percentage may in no event exceed 9.99%.

In addition, the Company may not effect the exercise of any such warrant, and a holder will not be entitled to exercise any portion of any such warrant, for a number of warrant shares in excess of that number of warrant shares which, upon giving effect to such exercise, would cause (i) the aggregate number of shares of Common Stock beneficially owned by the holder (together with its affiliates) to exceed 19.99% of the total number of issued and outstanding shares of Common Stock of the Company following such exercise, or (ii) the combined voting power of the securities of the Company beneficially owned by the holder (together with its affiliates) to exceed 19.99% of the combined voting power of all of the securities of the Company then outstanding following such exercise, in either case as such percentage ownership is determined in accordance with the terms of such warrant, unless Company shareholder approval is obtained to exceed more than such 19.99% of the total number of issued and outstanding shares of Common Stock of the Company following such exercise in accordance with the rules of The Nasdaq Stock Market.

In certain circumstances, upon a fundamental transaction of the Company, the holders of Common Stock Warrants will have the right to require the Company to repurchase such warrants at their fair value using a Black Scholes option pricing formula; provided that such holder may not require the Company or its successor entity to repurchase such warrants for the Black Scholes value in connection with a fundamental transaction that is not approved by the Board of Directors, and therefore not within the Company's control.

The Securities Purchase Agreement contains customary representations, warranties and agreements by the Company, customary conditions to closing, indemnification obligations of the Company and the Purchaser, including for liabilities arising under the Securities Act of 1933, as amended (the "Securities Act"), other obligations of the parties and termination provisions.

Registration Rights Agreement

On February 3, 2022 (the "Agreement Date"), in connection with the Private Placement, the Company entered into a registration rights agreement (the "Registration Rights Agreement") with the Purchaser, pursuant to which the Company agreed to register for resale the Shares, as well as the shares of Common Stock issuable upon exercise of the Pre-Funded Warrants and the Common Stock Warrants (the "Warrant Shares"). Under the Registration Rights Agreement, the Company has agreed to file a registration statement covering the resale by the Purchaser of the Shares and Warrant Shares (together, the "Registrable Securities") no later than February 4, 2022. The Company has agreed to use commercially reasonable efforts to cause such registration statement to become effective and to keep such registration statement effective until the date the Shares and Warrant Shares covered by such registration statement have been sold or may be resold pursuant to Rule 144 without restriction (the "Effectiveness Period"). The Company has agreed to be responsible for all fees and expenses incurred in connection with the registration of the Registrable Securities.

In the event (i) the registration statement is not filed within the time period specified above, (ii) the Company fails to file with the Securities and Exchange Commission (the "SEC") a request for acceleration of the registration statement in accordance with Rule 461within five trading days of the date that the Company is notified by the SEC that the registration statement will not be reviewed by the SEC staff or is not subject to further comment by the SEC staff, (iii) the Company fails to file a pre-effective amendment and otherwise respond in writing to comments made by the SEC in respect of the registration statement within ten days after the receipt of comments by or notice from the SEC that such amendment is required in order for the registration statement to be declared effective, (iv) the registration statement has not been declared effective (A) by March 31, 2022 (or, in the event of a "full review" by the SEC, the 60th day after the Agreement Date) or (B) within five trading days following the date the Company is notified by the SEC that the registration statement will not be reviewed or is no longer subject to further review and comments (provided that such notification is received by the Company on or prior to February 10, 2022), or (v) after the registration statement is declared effective but prior to the end of the Effectiveness Period, the registration statement ceases for any reason to remain continuously effective as to all Registrable Securities, or the holders of Registrable Securities are otherwise not permitted to utilize the prospectus in the registration statement to resell such Registrable Securities, for more than ten consecutive days or more than an aggregate of 15 days during any 12-month period, then the Company has agreed to make pro rata payments to each holder as liquidated damages in an amount equal to 2.0% of the aggregate amount invested by each such holder in the Registrable Securities then held by the holder per 30-day period or pro rata for any portion thereof for each such month during which such event continues. To the extent a filing prior to the applicable deadline of an amendment to the registration statement under clause (iii) above would require that the Company file updated audited financial statements by amendment to the registration statement pursuant to the Securities Act in advance of the applicable filing deadline for such audited financial statements under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), the applicable filing deadline with respect thereto will instead be five trading days after the applicable Exchange Act deadline. In lieu of a cash payment, the holder may elect, in its discretion, to receive the liquidated damages in the form of newly issued shares of Common Stock (valued at $1.41 per share), or in Common Warrants to purchase the shares of Common Stock (having an aggregate exercise price equal to the amount liquated damages otherwise payable in case; provided that the Company shall not be required to issue any shares of Common Stock or Common Warrants in violation of the listing rules of the Nasdaq Stock Market LLC. If the Company fails to pay any required liquidated damages in full within seven days after the date payable, the Company will be required to pay interest thereon to the holder at a rate of 18% per annum (or such lesser maximum amount that is permitted to be paid by applicable law) until paid in full.

The Company has granted the Purchaser customary indemnification rights in connection with the registration statement. The Purchaser has also granted the Company customary indemnification rights in connection with the registration statement. Subject to certain exceptions, the Company has also agreed not to file any other registration statements until 90 days after all Registrable Securities are registered pursuant to a registration statement that is declared effective by the SEC.

Placement Agency Agreement with A.G.P./Alliance Global Partners

On February 3, 2022, the Company also entered into a Placement Agency Agreement (the "Placement Agency Agreement") with A.G.P./Alliance Global Partners (the "Placement Agent"), pursuant to which the Placement Agent agreed to serve as placement agent for the Private Placement. The Company has agreed to pay the Placement Agent and/or its respective designees a cash fee equal to 7.0% of the aggregate gross proceeds raised from the sale in the Private Placement of the Shares, the Pre-Funded Warrants and the Common Stock Warrants, and has agreed to reimburse the Placement Agent for $5,000 of non-accountable expenses and up to $65,000 in legal expenses and clearing agent fees and expenses. The Placement Agency Agreement contains customary representations, warranties and agreements by the Company, including indemnification obligations.

The representations, warranties and covenants contained in the Placement Agency Agreement, Securities Purchase Agreement, the Pre-Funded Warrants, the Common Stock Warrants and the Registration Rights Agreement were made solely for the benefit of the parties thereto and may be subject to limitations agreed upon by the contracting parties. The foregoing descriptions of the Placement Agency Agreement, Pre-Funded Warrants, the Common Stock Warrants, the Securities Purchase Agreement and the Registration Rights Agreement do not purport to be complete and are qualified in their entirety by reference to the full text of the form of Placement Agency Agreement, Pre-Funded Warrant, the form of Common Stock Warrant, the form of Securities Purchase Agreement and the form of Registration Rights Agreement, copies of which are filed as Exhibits 1.1, 4.1, 4.2, 10.1, and 10.2 hereto, respectively, and incorporated by reference herein.

Item 3.02 Unregistered Sales of Equity Securities.

The information contained above in Item 1.01 related to the Private Placement is hereby incorporated by reference into this Item 3.02.

Based in part upon the representations of the Purchaser in the Securities Purchase Agreement, the offering and sale of the Shares, the Pre-Funded Warrants and the Common Stock Warrants will be exempt from registration under Section 4(a)(2) of the Securities Act. The sales of the Shares, the Pre-Funded Warrants and the Common Stock Warrants by the Company in the Private Placement will not be registered under the Securities Act or any state securities laws and the Shares, the Pre-Funded Warrants and the Common Stock Warrants may not be offered or sold in the United States absent registration with the SEC or an applicable exemption from the registration requirements. The sale of such securities will not involve a public offering and will be made without general solicitation or general advertising. In the Securities Purchase Agreement, the Purchaser represented that it is an accredited investor, as such term is defined in Rule 501(a) of Regulation D under the Securities Act, and it is acquiring the Shares, the Pre-Funded Warrants and the Common Stock Warrants for investment purposes only and not with a view to any resale, distribution or other disposition of the Shares, the Pre-Funded Warrants and the Common Stock Warrants in violation of the United States federal securities laws.

Neither this Current Report on Form 8-K nor any exhibit attached hereto is an offer to sell or the solicitation of an offer to buy securities of the Company.

Item 8.01 Other Events.

On February 3, 2022, the Company issued a press release announcing the Private Placement. The full text of the press release is attached as Exhibit 99.1 to this Current Report on Form 8-K and incorporated herein by reference.

Updated risk factors related to the Company are attached as Exhibit 99.2 to this Current Report on Form 8-K and are incorporated herein by reference, which include risk factors related to Reflect and the Merger.

Reflect's unaudited financial statements as of September 30, 2021 and 2020 and for the nine months ended September 30, 2021 and September 30, 2020 (unaudited) and financial statements as of December 31, 2020 and 2019 and for the years ended December 31, 2020 and 2019 are attached as Exhibit 99.3 to this Current Report on Form 8-K and incorporated herein by reference.

Selected Pro Forma Condensed Combined Financial Information, reflecting, among other things, the financial impact of the Private Placement and Merger, is attached as Exhibit 99.4 to this Current Report on Form 8-K and incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
1.1	Placement Agency Agreement dated February 3, 2022 by and between Creative Realities, Inc. and A.G.P./Alliance Global Partners
4.1	Form of Pre-Funded Warrant
4.2	Form of Common Stock Warrant
10.1	Form of Securities Purchase Agreement dated February 3, 2022 by and between Creative Realities, Inc. and the Investors
10.2	Form of Registration Rights Agreement dated February 3, 2022 by and between Creative Realities, Inc. and the Investors
99.1	Press Release, dated February 3, 2022
99.2	Risk Factors
99.3	Reflect Financial Statements
99.4	Selected Pro Form Condensed Combined Financial Information
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

SIGNATURE

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

CREATIVE REALITIES, INC.
(Registrant)

Date: February 4, 2022

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

Exhibit 1.1

February 3, 2022

Creative Realities, Inc.
13100 Magisterial Drive, Suite 100
Louisville, Kentucky
Attention: Mr. Richard Mills

Dear Mr. Mills:

This letter (the "**Agreement**") constitutes the agreement between A.G.P./Alliance Global Partners (the "**Placement Agent**") and Creative Realities, Inc., a Minnesota corporation (the "**Company**"), that the Placement Agent shall serve as the exclusive placement agent for the Company, on a "reasonable best efforts" basis, in connection with the proposed placement (the "**Placement**") of (i) shares of common stock of the Company, par value $0.01 per share (the "**Shares**"), (ii) warrants to purchase Shares (the "**Common Warrants**") and (iii) pre-funded warrants to purchase Shares (the "**Pre-Funded Warrants**" and together with the Shares and Common Warrants, the "**Securities**"). The Securities actually placed by the Placement Agent are referred to herein as the "**Placement Agent Securities**." The terms of the Placement shall be mutually agreed upon by the Company and the purchaser of the Securities (the "**Purchaser**"), and nothing herein constitutes that the Placement Agent would have the power or authority to bind the Company or the Purchaser, or an obligation for the Company to issue any Securities or complete the Placement. The Company expressly acknowledges and agrees that the Placement Agent's obligations hereunder are on a reasonable best efforts basis only and that the execution of this Agreement does not constitute a commitment by the Placement Agent to purchase the Securities and does not ensure the successful placement of the Securities or any portion thereof or the success of the Placement Agent with respect to securing any other financing on behalf of the Company. The Placement Agent may retain other brokers or dealers to act as sub-agents or selected-dealers on its behalf in connection with the Placement. Certain affiliates of the Placement Agent may participate in the Placement by purchasing some of the Placement Agent Securities. The sale of Placement Agent Securities to the Purchaser will be evidenced by a securities purchase agreement (the "**Purchase Agreement**") between the Company and such Purchaser, in a form reasonably acceptable to the Company and the Purchaser. Capitalized terms that are not otherwise defined herein have the meanings given to such terms in the Purchase Agreement. Prior to the signing of any Purchase Agreement, officers of the Company will be available to answer inquiries from the prospective Purchaser.

SECTION 1. REPRESENTATIONS AND WARRANTIES OF THE COMPANY; COVENANTS OF THE COMPANY.

A. Representations of the Company. With respect to the Placement Agent Securities, each of the representations and warranties (together with any related disclosure schedules thereto) and covenants made by the Company to the Purchaser in the Purchase Agreement in connection with the Placement, are hereby incorporated herein by reference into this Agreement (as though fully restated herein) and is, as of the date of this Agreement and as of the Closing Date, hereby made to, and in favor of, the Placement Agent. In addition to the foregoing, the Company represents and warrants that there are no affiliations with any FINRA (as defined below) member firm among the Company's officers, directors or, to the knowledge of the Company, any five percent (5.0%) or greater securityholder of the Company, except as set forth in the Purchase Agreement.

B. Covenants of the Company. The Company covenants and agrees to continue to retain (i) a firm of independent PCAOB registered public accountants for a period of at least five (5) years after the Closing Date and (ii) a competent transfer agent with respect to the Shares for a period of five (5) years after the Closing Date. In addition, from the date hereof until 90 days after the effectiveness of the Registration Statement with the Commission (the "**Restriction Period**"), neither the Company nor any Subsidiary shall issue, enter into any agreement to issue or announce the issuance or proposed issuance of any Shares or Common Stock Equivalents except with respect to Exempt Issuances.

SECTION 2. REPRESENTATIONS OF THE PLACEMENT AGENT. The Placement Agent represents and warrants that it (i) is a member in good standing of FINRA, (ii) is registered as a broker/dealer under the Exchange Act, (iii) is licensed as a broker/dealer under the laws of the United States of America, applicable to the offers and sales of the Placement Agent Securities by the Placement Agent, (iv) is and will be a corporate body validly existing under the laws of its place of incorporation, and (v) has full power and authority to enter into and perform its obligations under this Agreement. The Placement Agent will immediately notify the Company in writing of any change in its status with respect to subsections (i) through (v) above. The Placement Agent covenants that it will use its reasonable best efforts to conduct the Placement hereunder in compliance with the provisions of this Agreement and the requirements of applicable law.

SECTION 3. COMPENSATION. In consideration of the services to be provided for hereunder, the Company shall pay to the Placement Agent and/or its respective designees a cash fee of 7.0% of the aggregate gross proceeds raised from the sale of the Placement Agent Securities (the "**Cash Fee**"). The Cash Fee shall be paid on the Closing Date. The Company shall not be required to pay the Placement Agent any fees or expenses except for (i) the Cash Fee, (ii) the reimbursement of up to $65,000 in legal expenses and clearing agent fees and expenses and (iii) non-accountable expenses ("**NAE**"); provided, that this sentence in no way limits or impairs the indemnification or contribution provisions contained herein. The total NAE allowance shall equal $5,000; provided, further, that this sentence in no way limits or impairs the indemnification or contribution provisions contained herein. The Placement Agent reserves the right to reduce any item of compensation or adjust the terms thereof as specified herein in the event that a determination shall be made by FINRA to the effect that the Placement Agent's aggregate compensation is in excess of FINRA Rules or that the terms thereof require adjustment.

SECTION 4. INDEMNIFICATION.

A. To the extent permitted by law, with respect to the Placement Agent Securities, the Company will indemnify the Placement Agent and its affiliates, stockholders, directors, officers, employees, members, counsel and controlling persons (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) against all losses, claims, damages, expenses and liabilities, as the same are incurred (including the reasonable fees and expenses of counsel), relating to or arising out of its activities hereunder, its status, title or role as Placement Agent or pursuant to this Agreement, except to the extent that any losses, claims, damages, expenses or liabilities (or actions in respect thereof) are found in a final judgment (not subject to appeal) by a court of law to have resulted primarily and directly from the Placement Agent's fraud, willful misconduct or gross negligence in performing the services described herein. Notwithstanding anything set forth herein to the contrary, the Company agrees to indemnify Placement Agent and its counsel, Thompson Hine LLP, to the fullest extent set forth in this Section 4, against any and all claims asserted by any or person or entity alleging that the Placement Agent was not permitted or entitled to act as Placement Agent herein, or that the Company was not permitted to hire or retain Placement Agent herein, including but not limited to any claims arising out of any purported right of first refusal another person or entity claims to have to act as a placement agent or any similar role with respect to the Company or its securities.

B. Promptly after receipt by the Placement Agent of notice of any claim or the commencement of any action or proceeding with respect to which the Placement Agent is entitled to indemnity hereunder, the Placement Agent will notify the Company in writing of such claim or of the commencement of such action or proceeding, but failure to so notify the Company shall not relieve the Company from any obligation it may have hereunder, except and only to the extent such failure results in the forfeiture by the Company of substantial rights and defenses. If the Company so elects or is requested by the Placement Agent, the Company will assume the defense of such action or proceeding and will employ counsel reasonably satisfactory to the Placement Agent and will pay the fees and expenses of such counsel. Notwithstanding the preceding sentence, the Placement Agent will be entitled to engage counsel separate from counsel for the Company and from any other party in such action if counsel for the Placement Agent reasonably determines that it would be inappropriate under the applicable rules of professional responsibility for the same counsel to represent both the Company and the Placement Agent. In such event, the reasonable fees and disbursements of no more than one (1) such separate counsel will be paid by the Company, in addition to fees of local counsel. The Company will have the right to settle the claim or proceeding provided that the Company will not settle any such claim, action or proceeding without the prior written consent of the Placement Agent, which will not be unreasonably withheld. The Company shall not be liable for any settlement of any action effected without its written consent, which will not be unreasonably withheld.

C. The Company agrees to notify the Placement Agent promptly of the assertion against it or any other person of any claim or the commencement of any action or proceeding relating to a transaction contemplated by this Agreement.

D. If for any reason the foregoing indemnity is unavailable to the Placement Agent or insufficient to hold the Placement Agent harmless, then the Company shall contribute to the amount paid or payable by the Placement Agent as a result of such losses, claims, damages or liabilities in such proportion as is appropriate to reflect not only the relative benefits received by the Company on the one hand and the Placement Agent on the other, but also the relative fault of the Company on the one hand and the Placement Agent on the other that resulted in such losses, claims, damages or liabilities, as well as any relevant equitable considerations. The amounts paid or payable by a party in respect of losses, claims, damages and liabilities referred to above shall be deemed to include any legal or other fees and expenses incurred in defending any litigation, proceeding or other action or claim. Notwithstanding the provisions hereof, the Placement Agent's share of the liability hereunder shall not be in excess of the amount of fees actually received, or to be received, by the Placement Agent under this Agreement.

E. These indemnification provisions shall remain in full force and effect whether or not the transaction contemplated by this Agreement is completed and shall survive the termination of this Agreement, and shall be in addition to any liability that the Company might otherwise have to any indemnified party under this Agreement or otherwise.

SECTION 5. ENGAGEMENT TERM. The Placement Agent's engagement hereunder will commence on the date hereof and continue through the Closing Date. The date of termination of this Agreement is referred to herein as the "**Termination Date**." In the event, however, in the course of the Placement Agent's performance of due diligence it deems it necessary to terminate the engagement, the Placement Agent may do so prior to the Termination Date. The Company may elect to terminate the engagement hereunder for any reason prior to the Termination Date but will remain responsible for fees and expenses pursuant to Section 3 hereof and fees and expenses with respect to the Placement Agent Securities, if sold in the Placement. Notwithstanding anything to the contrary contained herein, the provisions concerning the Company's obligation to pay any fees or expenses actually earned pursuant to Section 3 hereof and the provisions concerning confidentiality, indemnification and contribution contained herein will survive any expiration or termination of this Agreement. If this Agreement is terminated prior to the completion of the Placement, all fees or expenses due to the Placement Agent shall be paid by the Company to the Placement Agent on or before the Termination Date (in the event such fees or expenses are earned or owed as of the Termination Date). The Placement Agent agrees not to use any confidential information concerning the Company provided to the Placement Agent by the Company for any purposes other than those contemplated under this Agreement.

SECTION 6. PLACEMENT AGENT INFORMATION. The Company agrees that any information or advice rendered by the Placement Agent in connection with this engagement is for the confidential use of the Company only in their evaluation of the Placement and, except as otherwise required by law, the Company will not disclose or otherwise refer to the advice or information in any manner without the Placement Agent's prior written consent.

SECTION 7. NO FIDUCIARY RELATIONSHIP. This Agreement does not create, and shall not be construed as creating rights enforceable by any person or entity not a party hereto, except those entitled hereto by virtue of the indemnification provisions hereof. The Company acknowledges and agrees that the Placement Agent is not and shall not be construed as a fiduciary of the Company and shall have no duties or liabilities to the equity holders or the creditors of the Company or any other person by virtue of this Agreement or the retention of the Placement Agent hereunder, all of which are hereby expressly waived.

SECTION 8. CLOSING. The obligations of the Placement Agent, and the closing of the sale of the Placement Agent Securities hereunder are subject to the accuracy, when made and on the Closing Date, of the representations and warranties on the part of the Company contained herein and in the Purchase Agreement, to the performance by the Company of its obligations hereunder and in the Purchase Agreement, and to each of the following additional terms and conditions, except as otherwise disclosed to and acknowledged and waived by the Placement Agent:

A. All corporate proceedings and other legal matters incident to the authorization, form, execution, delivery and validity of each of this Agreement, the Placement Agent Securities, and all other legal matters relating to this Agreement and the transactions contemplated hereby with respect to the Placement Agent Securities shall be reasonably satisfactory in all material respects to the Placement Agent.

B. The Placement Agent shall have received from outside counsel to the Company such counsel's written opinion with respect to the Placement Agent Securities, addressed to the Placement Agent and dated as of the Closing Date, in form and substance reasonably satisfactory to the Placement Agent.

C. The Placement Agent shall have received customary certificates of the Company's executive officers, as to the accuracy of the representations and warranties contains in the Purchase Agreement, and a certificate of the Company's secretary certifying that each of the Company's charter documents are true and complete, have not been modified and are in full force and effect; (ii) that the resolutions of the Company's Board of Directors relating to the Placement are in full force and effect and have not been modified; and (iii) as to the incumbency of the officers of the Company.

D. The Shares and the Shares issuable upon exercise of the Warrants shall be listed and admitted and authorized for trading on the Trading Market or other applicable U.S. national exchange and satisfactory evidence of such action shall have been provided to the Placement Agent. The Company shall have taken no action designed to, or likely to have the effect of delisting or suspending from trading the Shares from the Trading Market or other applicable U.S. national exchange, nor has the Company received any information suggesting that the Trading Market or other U.S. applicable national exchange is contemplating terminating such listing.

E. No action shall have been taken and no statute, rule, regulation or order shall have been enacted, adopted or issued by any governmental agency or body which would, as of the Closing Date, prevent the issuance or sale of the Placement Agent Securities or materially and adversely affect or potentially and adversely affect the business or operations of the Company; and no injunction, restraining order or order of any other nature by any federal or state court of competent jurisdiction shall have been issued as of the Closing Date which would prevent the issuance or sale of the Placement Agent Securities or materially and adversely affect or potentially and adversely affect the business or operations of the Company.

F. The Company shall have entered into a Purchase Agreement with the Purchaser of the Placement Agent Securities and such agreement shall be in full force and effect and shall contain representations, warranties and covenants of the Company as agreed upon between the Company and the Purchaser.

If any of the conditions specified in this Section 8 shall not have been fulfilled when and as required by this Agreement, all obligations of the Placement Agent hereunder may be cancelled by the Placement Agent at, or at any time prior to, the Closing Date. Notice of such cancellation shall be given to the Company in writing or orally. Any such oral notice shall be confirmed promptly thereafter in writing.

SECTION 9. GOVERNING LAW. This Agreement will be governed by, and construed in accordance with, the laws of the State of New York applicable to agreements made and to be performed entirely in such State, without regard to its conflict of laws principles. This Agreement may not be assigned by either party without the prior written consent of the other party. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and permitted assigns. Any right to trial by jury with respect to any dispute arising under this Agreement or any transaction or conduct in connection herewith is waived. Any dispute arising under this Agreement may be brought into the courts of the State of New York or into the Federal Court located in New York, New York and, by execution and delivery of this Agreement, the Company hereby accepts for itself and in respect of its property, generally and unconditionally, the jurisdiction of aforesaid courts. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such suit, action or proceeding by delivering a copy thereof via overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any manner permitted by law. If either party shall commence an action or proceeding to enforce any provisions of this Agreement, then the prevailing party in such action or proceeding shall be reimbursed by the other party for its attorney's fees and other costs and expenses incurred with the investigation, preparation and prosecution of such action or proceeding.

SECTION 10. ENTIRE AGREEMENT/MISCELLANEOUS. This Agreement embodies the entire agreement and understanding between the parties hereto, and supersedes all prior agreements and understandings, relating to the subject matter hereof. If any provision of this Agreement is determined to be invalid or unenforceable in any respect, such determination will not affect such provision in any other respect or any other provision of this Agreement, which will remain in full force and effect. This Agreement may not be amended or otherwise modified or waived except by an instrument in writing signed by both the Placement Agent and the Company. The representations, warranties, agreements and covenants contained herein shall survive the Closing Dates of the Placement and delivery of the Placement Agent Securities. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or a .pdf format file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or .pdf signature page were an original thereof.

SECTION 11. NOTICES. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of (a) the date of transmission, if such notice or communication is sent to the email address specified on the signature pages attached hereto prior to 6:30 p.m. (New York City time) on a business day, (b) the next business day after the date of transmission, if such notice or communication is sent to the email address on the signature pages attached hereto on a day that is not a business day or later than 6:30 p.m. (New York City time) on any business day, (c) the third business day following the date of mailing, if sent by U.S. internationally recognized air courier service, or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages hereto.

SECTION 12. PRESS ANNOUNCEMENTS. The Company agrees that the Placement Agent shall, on and after the Closing Date, have the right to reference the Placement and the Placement Agent's role in connection therewith in the Placement Agent's marketing materials and on its website and to place advertisements in financial and other newspapers and journals, in each case at its own expense.

[*The remainder of this page has been intentionally left blank.*]

Please confirm that the foregoing correctly sets forth our agreement by signing and returning to the Placement Agent the enclosed copy of this Agreement.

Very truly yours,

A.G.P./ALLIANCE GLOBAL PARTNERS

By: /s/ Thomas J. Higgins
Name: Thomas J. Higgins
Title: Managing Director

Address for notice:

590 Madison Avenue 28th Floor
New York, New York 10022
Attn: Thomas J. Higgins
Email: thiggins@allianceg.com

Accepted and Agreed to as of
the date first written above:

CREATIVE REALITIES, INC.

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

Address for notice:

13100 Magisterial Drive, Suite 100
Louisville, Kentucky 40223
Attn: Richard Mills
Email:

[*Signature Page to Placement Agency Agreement.*]

Exhibit 4.1

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

PRE-FUNDED PURCHASE WARRANT

CREATIVE REALITIES, INC.

Warrant Shares: [●] Initial Exercise Date: February [__], 2022

Issue Date: February [__], 2022

THIS PRE-FUNDED PURCHASE WARRANT (the "Warrant") certifies that, for value received, [_____] or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after February [__], 2022 (the "Initial Exercise Date") and until this Warrant is exercised in full (the "Termination Date"), but not thereafter, to subscribe for and purchase from Creative Realities, Inc., a Minnesota corporation (the "Company"), up to [●] shares of the Company's common stock, par value $0.01 per share (the "Common Stock") (as subject to adjustment hereunder, the "Warrant Shares"). This Warrant was issued pursuant to Sections 2.1 and 2.2 of that certain Securities Purchase Agreement, dated as of February [ ], 2022, by and between the Company, the Holder and other purchasers signatory thereto (as may be amended, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms, the "Purchase Agreement").

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Purchase Agreement.

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company of a duly executed facsimile copy or PDF copy submitted by e-mail (or e-mail attachment) of the Notice of Exercise in the form annexed hereto (the "Notice of Exercise"). Within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined in Section 2(d)(i) herein) following the date of exercise as aforesaid, the Holder shall deliver the unpaid portion of the aggregate Exercise Price for the Warrant Shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) below is specified in the applicable Notice of Exercise. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date on which the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Business Day of receipt of such notice. Notwithstanding the foregoing, with respect to any Notice(s) of Exercise delivered on or prior to 4:00 p.m. (New York City time) on the Trading Date prior to the Initial Exercise Date, which may be delivered at any time after the time of execution of the Purchase Agreement, the Company agrees to deliver the Warrant Shares subject to such notice(s) by 4:00 p.m. (New York City time) on the Initial Exercise Date and the Initial Exercise Date shall be the Warrant Share Delivery Date for purposes hereunder, provided that payment of the aggregate Exercise Price (other than in the case of a cashless exercise) is received by such Warrant Share Delivery Date. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.** "Business Day" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law to remain closed due to "stay at home", "shelter-in-place", "non-essential employee" or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in The City of New York generally are open for use by customers on such day.

b) Exercise Price. The aggregate exercise price of this Warrant, except for a nominal exercise price of $0.0001 per Warrant Share, was pre-funded to the Company on or prior to the Initial Exercise Date and, consequently, no additional consideration (other than the nominal exercise price of $0.0001 per Warrant Share) shall be required to be paid by the Holder to any Person to effect any exercise of this Warrant. The Holder shall not be entitled to the return or refund of all, or any portion, of such pre-paid aggregate exercise price under any circumstance or for any reason whatsoever, including in the event this Warrant shall not have been exercised prior to the Termination Date. The remaining unpaid exercise price per share of Common Stock under this Warrant shall be $0.0001, subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. This Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares determined according to the following formula:

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

For purposes of the foregoing formula:

(A) = the total number of Warrant Shares with respect to which this Warrant is then being exercised if such exercise were by means of a cash exercise rather than a cashless exercise.

(B) = as applicable: (i) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is (1) both executed and delivered pursuant to Section 2(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2(a) hereof on a Trading Day prior to the opening of "regular trading hours" (as defined in Rule 600(b) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) at the option of the Holder, either (y) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise or (z) the Bid Price of the shares of Common Stock on the principal Trading Market as reported by Bloomberg L.P. as of the time of the Holder's execution of the applicable Notice of Exercise if such Notice of Exercise is executed during "regular trading hours" on a Trading Day and is delivered within two (2) hours thereafter (including until two (2) hours after the close of "regular trading hours" on a Trading Day) pursuant to Section 2(a) hereof or (iii) the VWAP on the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 2(a) hereof after the close of "regular trading hours" on such Trading Day; and

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

If Warrant Shares are issued in such a cashless exercise, the parties hereto acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the characteristics of the Warrants being exercised, and for purposes of Rule 144 of the Securities Act, the holding period of the Warrant Shares being issued may be tacked on to the holding period of this Warrant. The Company agrees not to take any position contrary to this Section 2(c). Notwithstanding anything to the contrary, without limiting the rights of the Holder to receive cash payments pursuant to Section 2(d)(i) and Section 2(d)(iv) herein and the right of the Holder to exercise this Warrant on a "cashless exercise" pursuant to this Section 2(c), in the event the Company does not have or maintain an effective registration statement, there are no circumstances that would require the Company to make any cash payments or net cash settle the purchase warrants to the holders.

"Bid Price" means, for any date, the price determined by the first of the following clauses that applies: (a) if the shares of Common Stock are then listed or quoted on a Trading Market, the bid price of the shares of Common Stock for the time in question (or the nearest preceding date) on the Trading Market on which the shares of Common Stock are then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the shares of Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the shares of Common Stock are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported on the Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means any of the following markets or exchanges on which the shares of Common Stock are listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, OTCQB or OTCQX (or any successors to any of the foregoing).

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the shares of Common Stock are then listed or quoted on a Trading Market, the daily volume weighted average price of the shares of Common Stock for such date (or the nearest preceding date) on the Trading Market on which the shares of Common Stock are then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the shares of Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the shares of Common Stock are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the shares of Common Stock are then reported on the Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

Notwithstanding anything herein to the contrary, on the Termination Date, this Warrant shall be automatically exercised via cashless exercise pursuant to this Section 2(c) as if the Notice of Exercise was executed and delivered after the closing of "regular trading hours" on the Termination Date.

d) Mechanics of Exercise.

i. Delivery of Warrant Shares Upon Exercise. The Company shall cause the Warrant Shares purchased hereunder to be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's or its designee's balance account with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) the Warrant Shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144 (assuming cashless exercise of the Warrants) and subject to receipt from the Holder by the Company and the Transfer Agent of customary representations reasonably acceptable to the Company and the Transfer Agent in connection with such request, and otherwise by physical delivery of a certificate (or an account statement reflecting unrestricted shares of Common Stock) registered in the Company's share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is the earliest of (i) two (2) Trading Days after the delivery to the Company of the Notice of Exercise, provided that payment of the aggregate Exercise Price (other than in the instance of a cashless exercise) is received by the Company by such date, and (ii) the number of Trading Days comprising the Standard Settlement Period after the delivery to the Company of the Notice of Exercise (such date, the "Warrant Share Delivery Date"). Upon delivery of the Notice of Exercise, 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 Warrant Shares, provided that payment of the aggregate Exercise Price (other than in the case of a cashless exercise) is received within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period following delivery of the Notice of Exercise. If the Company fails for any reason to deliver to the Holder the Warrant Shares subject to a Notice of Exercise by the Warrant Share Delivery Date, provided that payment of the aggregate Exercise Price (other than in the instance of a cashless exercise) is received by the Company on or prior to the Warrant Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each $1,000 of Warrant Shares subject to such exercise (based on the VWAP of the shares of Common Stock on the date of the applicable Notice of Exercise), $10 per Trading Day (increasing to $20 per Trading Day on the fifth Trading Day after such liquidated damages begin to accrue) for each Trading Day after such Warrant Share Delivery Date until such Warrant Shares are delivered or Holder rescinds such exercise. The Company agrees to maintain a transfer agent that is a participant in the FAST program so long as this Warrant remains outstanding and exercisable. As used herein, "Standard Settlement Period" means the standard settlement period, expressed in a number of Trading Days, on the Company's primary Trading Market with respect to the shares of Common Stock as in effect on the date of delivery of the Notice of Exercise. Notwithstanding anything to the contrary contained herein, with respect to any Notice(s) of Exercise delivered on or prior to 12:00 p.m. (New York City time) on the Initial Exercise Date, which may be delivered at any time after the time of execution of the Purchase Agreement, the Company agrees to deliver the Warrant Shares subject to such notice(s) by 4:00 p.m. (New York City time) on the Initial Exercise Date and the Initial Exercise Date shall be the Warrant Share Delivery Date for purposes hereunder, provided that payment of the aggregate Exercise Price (other than in the case of a cashless exercise) is received by such Warrant Share Delivery Date.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause Computershare Limited, or the then current transfer agent of the Company (the "Transfer Agent") to transmit to the Holder the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Warrant Shares Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares in accordance with the provisions of Section 2(d)(i) above pursuant to an exercise on or before the Warrant Share Delivery Date (other than a failure solely caused by incorrect or incomplete information provided by the Holder to the Company), 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 shares of 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 amounts 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 and/or 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.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

vi. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that, in the event that Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

e) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates (such Persons, "Attribution Parties")), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates and Attribution Parties shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within one (1) Trading Day confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates or Attribution Parties since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of the shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any increase or decrease in the Beneficial Ownership Limitation will not be effective until the sixty-first (61^{st}) day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Notwithstanding anything to the contrary contained herein, the Company shall not effect any exercise of this Warrant, and the Holder shall not be entitled to exercise this Warrant for a number of Warrant Shares in excess of that number of Warrant Shares which, upon giving effect to such exercise, would cause (i) the aggregate number of shares of Common Stock beneficially owned by the Holder and its Affiliates and any other Persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, including any "group" of which the Holder is a member, to exceed 19.99% of the total number of issued and outstanding shares of Common Stock of the Company following such exercise, or (ii) the combined voting power of the securities of the Company beneficially owned by the Holder and its Affiliates and any other Persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act to exceed 19.99% of the combined voting power of all of the securities of the Company then outstanding following such exercise, in each case unless Company shareholder approval is obtained to exceed more than such 19.99% of the total number of issued and outstanding shares of Common Stock of the Company following such exercise in accordance with the rules of The Nasdaq Stock Market. For purposes of this Section 2(e), the aggregate number of shares of Common Stock or voting securities beneficially owned by the Holder and its Affiliates and any other Persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act shall include the shares of Common Stock issuable upon the exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (x) exercise of the remaining unexercised and non-cancelled portion of this Warrant by the Holder and (y) exercise or conversion of the unexercised, non-converted or non-cancelled portion of any other securities of the Company that do not have voting power (including without limitation any securities of the Company which would entitle the holder thereof to acquire at any time Common Stock, including without limitation any debt, preferred stock, right, option, warrant 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), is subject to a limitation on conversion or exercise analogous to the limitation contained herein and is beneficially owned by the Holder or any of its Affiliates and other Persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on its shares of Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares of Common Stock, or (iv) issues by reclassification of shares of Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) [RESERVED.]

c) Subsequent Rights Offerings. In addition to (but without duplication of) any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

d) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend or other distribution of its assets (or rights to acquire its assets) to holders 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, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

e) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of more than 50% of the outstanding shares of Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the Common Stock or any compulsory share exchange pursuant to which the shares of Common Stock are effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off, merger or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) and in connection with such transaction the Common Stock is converted into or exchanged for other securities, cash or property (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the securities, cash and other property of the successor or acquiring corporation (or ultimate parent company thereof) or of the Company, if it is the surviving corporation, as applicable (the "Alternate Consideration"), receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). 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 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. The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for the Alternate Consideration, and with an exercise price which applies the exercise price hereunder to such Alternate Consideration (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such Alternate Consideration, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

g) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly deliver to the Holder by facsimile or email a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the shares of Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the shares of Common Stock, (C) the Company shall authorize the granting to all holders of the shares of Common Stock rights or warrants to subscribe for or purchase any capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the shares of Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the shares of Common Stock are converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be delivered by facsimile or email to the Holder at its last facsimile number or email address as it shall appear upon the Warrant Register of the Company, at least five (5) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or stock exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or stock exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice and provided further, that no notice shall be required if the information is disseminated in a press release or document publicly filed with the Commission. To the extent that any notice provided in this Warrant constitutes, or contains, material, non-public information regarding the Company, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

iii. Voluntary Adjustments by the Company. The Company may, subject to the rules and regulations of the Trading Market, at any time during the term of this Warrant, reduce the then current Exercise Price to any amount and extend the term of this Warrant for any period of time deemed appropriate by the Board of Directors of the Company, with the prior written consent of the Holder.

Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof and to the provisions of Article IV of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date on which the Holder delivers an assignment form to the Company assigning this Warrant in full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Initial Exercise Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, comply with the provisions of Section 5.7 of the Purchase Agreement.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i), except as expressly set forth in Section 3.

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued shares of Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the shares of Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, 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, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Jurisdiction and Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with Section 5.9 of the Purchase Agreement.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. Without limiting any other provision of this Warrant or the Purchase Agreement, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provision in Section 5.4 of the Purchase Agreement.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any shares of Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company, on the one hand, and the Holder, on the other hand.

m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

CREATIVE REALITIES, INC.

By: _____
Name:
Title:

NOTICE OF EXERCISE

TO: **CREATIVE REALITIES, INC.**

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

☐ in lawful money of the United States; or

☐ if permitted the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

The Warrant Shares shall be delivered to the following DWAC Account Number:

(4) Accredited Investor. The undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

[SIGNATURE OF HOLDER]

Name of Investing Entity:
Signature of Authorized Signatory of Investing Entity:
Name of Authorized Signatory:
Title of Authorized Signatory:
Date:

Exhibit B

ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: _____
(Please Print)

Address: _____
(Please Print)

Phone Number: _____

Email Address: _____

Dated: _____ __, _____

Holder's Signature: _____

Holder's Address: _____

Exhibit 4.2

NEITHER THIS SECURITY NOR THE SECURITIES FOR WHICH THIS SECURITY IS EXERCISABLE HAVE BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT OR OTHER LOAN SECURED BY SUCH SECURITIES.

COMMON STOCK PURCHASE WARRANT

CREATIVE REALITIES, INC.

Warrant Shares: [●]

Initial Exercise Date: February [__], 2022[1]

Issue Date: February [__], 2022

THIS COMMON STOCK PURCHASE WARRANT (the "Warrant") certifies that, for value received, [_____] or its assigns (the "Holder") is entitled, upon the terms and subject to the limitations on exercise and the conditions hereinafter set forth, at any time on or after February [__], 2022 (the "Initial Exercise Date") and on or prior to 5:00 p.m. (New York City time) on February [__], 2027[2] (the "Termination Date"), but not thereafter, to subscribe for and purchase from Creative Realities, Inc., a Minnesota corporation (the "Company"), up to [●] shares of the Company's common stock, par value $0.01 per share (the "Common Stock") (as subject to adjustment hereunder, the "Warrant Shares"). This Warrant was issued pursuant to Sections 2.1 and 2.2 of that certain Securities Purchase Agreement, dated as of February [ ], 2022, by and between the Company, the Holder and other purchasers signatory thereto (as may be amended, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms, the "Purchase Agreement").

Section 1. Definitions. Capitalized terms used and not otherwise defined herein shall have the meanings set forth in the Purchase Agreement.

[1] Date of issuance

[2] 5 year exercisability period

Section 2. Exercise.

a) Exercise of Warrant. Exercise of the purchase rights represented by this Warrant may be made, in whole or in part, at any time or times on or after the Initial Exercise Date and on or before the Termination Date by delivery to the Company of a duly executed facsimile copy or PDF copy submitted by e-mail (or e-mail attachment) of the Notice of Exercise in the form annexed hereto, and delivered in accordance with the notice requirements set forth in Section 5(h) (the "Notice of Exercise"). Within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined in Section 2(d)(i) herein) following the date of exercise as aforesaid, the Holder shall deliver the aggregate Exercise Price for the Warrant Shares specified in the applicable Notice of Exercise by wire transfer or cashier's check drawn on a United States bank unless the cashless exercise procedure specified in Section 2(c) below is specified in the applicable Notice of Exercise. No ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise be required. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company until the Holder has purchased all of the Warrant Shares available hereunder and the Warrant has been exercised in full, in which case, the Holder shall surrender this Warrant to the Company for cancellation within three (3) Trading Days of the date on which the final Notice of Exercise is delivered to the Company. Partial exercises of this Warrant resulting in purchases of a portion of the total number of Warrant Shares available hereunder shall have the effect of lowering the outstanding number of Warrant Shares purchasable hereunder in an amount equal to the applicable number of Warrant Shares purchased. The Holder and the Company shall maintain records showing the number of Warrant Shares purchased and the date of such purchases. The Company shall deliver any objection to any Notice of Exercise within one (1) Business Day of receipt of such notice. Notwithstanding the foregoing, with respect to any Notice(s) of Exercise delivered on or prior to 4:00 p.m. (New York City time) on the Trading Date prior to the Initial Exercise Date, which may be delivered at any time after the time of execution of the Purchase Agreement, the Company agrees to deliver the Warrant Shares subject to such notice(s) by 4:00 p.m. (New York City time) on the Initial Exercise Date and the Initial Exercise Date shall be the Warrant Share Delivery Date for purposes hereunder, provided that payment of the aggregate Exercise Price (other than in the case of a cashless exercise) is received by such Warrant Share Delivery Date. **The Holder and any assignee, by acceptance of this Warrant, acknowledge and agree that, by reason of the provisions of this paragraph, following the purchase of a portion of the Warrant Shares hereunder, the number of Warrant Shares available for purchase hereunder at any given time may be less than the amount stated on the face hereof.** "Business Day" means any day other than Saturday, Sunday or other day on which commercial banks in The City of New York are authorized or required by law to remain closed; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law to remain closed due to "stay at home", "shelter-in-place", "non-essential employee" or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in The City of New York generally are open for use by customers on such day.

b) Exercise Price. The exercise price per share of Common Stock under this Warrant shall be **$[ ]** subject to adjustment hereunder (the "Exercise Price").

c) Cashless Exercise. If after the Issue Date there is no effective registration statement registering, or the prospectus contained therein is not available for the resale of the Warrant Shares, then this Warrant may also be exercised, in whole or in part, at such time by means of a "cashless exercise" in which the Holder shall be entitled to receive a number of Warrant Shares determined according to the following formula:

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

For purposes of the foregoing formula:

(A) = the total number of Warrant Shares with respect to which this Warrant is then being exercised if such exercise were by means of a cash exercise rather than a cashless exercise.

(B) = as applicable: (i) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise if such Notice of Exercise is (1) both executed and delivered pursuant to Section 2(a) hereof on a day that is not a Trading Day or (2) both executed and delivered pursuant to Section 2(a) hereof on a Trading Day prior to the opening of "regular trading hours" (as defined in Rule 600(b) of Regulation NMS promulgated under the federal securities laws) on such Trading Day, (ii) at the option of the Holder, either (y) the VWAP on the Trading Day immediately preceding the date of the applicable Notice of Exercise or (z) the Bid Price of the shares of Common Stock on the principal Trading Market as reported by Bloomberg L.P. as of the time of the Holder's execution of the applicable Notice of Exercise if such Notice of Exercise is executed during "regular trading hours" on a Trading Day and is delivered within two (2) hours thereafter (including until two (2) hours after the close of "regular trading hours" on a Trading Day) pursuant to Section 2(a) hereof or (iii) the VWAP on the date of the applicable Notice of Exercise if the date of such Notice of Exercise is a Trading Day and such Notice of Exercise is both executed and delivered pursuant to Section 2(a) hereof after the close of "regular trading hours" on such Trading Day; and

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

If Warrant Shares are issued in such a cashless exercise, the parties hereto acknowledge and agree that in accordance with Section 3(a)(9) of the Securities Act, the Warrant Shares shall take on the characteristics of the Warrants being exercised, and for purposes of Rule 144 of the Securities Act, the holding period of the Warrant Shares being issued may be tacked on to the holding period of this Warrant. The Company agrees not to take any position contrary to this Section 2(c). Notwithstanding anything to the contrary, without limiting the rights of the Holder to receive cash payments pursuant to Section 2(d)(i) and Section 2(d)(iv) herein and the right of the Holder to exercise this Warrant on a "cashless exercise" pursuant to this Section 2(c), in the event the Company does not have or maintain an effective registration statement, there are no circumstances that would require the Company to make any cash payments or net cash settle the purchase warrants to the holders.

"Bid Price" means, for any date, the price determined by the first of the following clauses that applies: (a) if the shares of Common Stock are then listed or quoted on a Trading Market, the bid price of the shares of Common Stock for the time in question (or the nearest preceding date) on the Trading Market on which the shares of Common Stock are then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the shares of Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the shares of Common Stock are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the shares of Common Stock are then reported on the Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means any of the following markets or exchanges on which the shares of Common Stock are listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market, the New York Stock Exchange, OTCQB or OTCQX (or any successors to any of the foregoing).

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the shares of Common Stock are then listed or quoted on a Trading Market, the daily volume weighted average price of the shares of Common Stock for such date (or the nearest preceding date) on the Trading Market on which the shares of Common Stock are then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the shares of Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the shares of Common Stock are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the shares of Common Stock are then reported on the Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of Common Stock so reported, or (d) in all other cases, the fair market value of a share of Common Stock as determined by an independent appraiser selected in good faith by the Holder and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

Notwithstanding anything herein to the contrary, on the Termination Date, this Warrant shall be automatically exercised via cashless exercise pursuant to this Section 2(c).

d) Mechanics of Exercise.

i. Delivery of Warrant Shares Upon Exercise. The Company shall cause the Warrant Shares purchased hereunder to be transmitted by the Transfer Agent to the Holder by crediting the account of the Holder's or its designee's balance account with The Depository Trust Company through its Deposit or Withdrawal at Custodian system ("DWAC") if the Company is then a participant in such system and either (A) there is an effective registration statement permitting the issuance of the Warrant Shares to or resale of the Warrant Shares by the Holder or (B) the Warrant Shares are eligible for resale by the Holder without volume or manner-of-sale limitations pursuant to Rule 144 (assuming cashless exercise of the Warrants and subject to receipt from the Holder by the Company and the Transfer Agent of customary representations reasonably acceptable to the Company and the Transfer Agent in connection with such request), and otherwise by physical delivery of a certificate (or an account statement reflecting unrestricted shares of Common Stock), registered in the Company's share register in the name of the Holder or its designee, for the number of Warrant Shares to which the Holder is entitled pursuant to such exercise to the address specified by the Holder in the Notice of Exercise by the date that is the earliest of (i) two (2) Trading Days after the delivery to the Company of the Notice of Exercise, provided that payment of the aggregate Exercise Price (other than in the instance of a cashless exercise) is received by the Company by such date, and (ii) the number of Trading Days comprising the Standard Settlement Period after the delivery to the Company of the Notice of Exercise (such date, the "Warrant Share Delivery Date"). Upon delivery of the Notice of Exercise, 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 Warrant Shares, provided that payment of the aggregate Exercise Price (other than in the case of a cashless exercise) is received within the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period following delivery of the Notice of Exercise. If the Company fails for any reason to deliver to the Holder the Warrant Shares subject to a Notice of Exercise by the Warrant Share Delivery Date, provided that payment of the aggregate Exercise Price (other than in the instance of a cashless exercise) is received by the Company on or prior to the Warrant Share Delivery Date, the Company shall pay to the Holder, in cash, as liquidated damages and not as a penalty, for each $1,000 of Warrant Shares subject to such exercise (based on the VWAP of the shares of Common Stock on the date of the applicable Notice of Exercise), $10 per Trading Day (increasing to $20 per Trading Day on the fifth Trading Day after such liquidated damages begin to accrue) for each Trading Day after such Warrant Share Delivery Date until such Warrant Shares are delivered or Holder rescinds such exercise. The Company agrees to maintain a transfer agent that is a participant in the FAST program so long as this Warrant remains outstanding and exercisable. As used herein, "Standard Settlement Period" means the standard settlement period, expressed in a number of Trading Days, on the Company's primary Trading Market with respect to the shares of Common Stock as in effect on the date of delivery of the Notice of Exercise.

ii. Delivery of New Warrants Upon Exercise. If this Warrant shall have been exercised in part, the Company shall, at the request of a Holder and upon surrender of this Warrant certificate, at the time of delivery of the Warrant Shares, deliver to the Holder a new Warrant evidencing the rights of the Holder to purchase the unpurchased Warrant Shares called for by this Warrant, which new Warrant shall in all other respects be identical with this Warrant.

iii. Rescission Rights. If the Company fails to cause Computershare Limited, or the then current transfer agent of the Company (the "Transfer Agent") to transmit to the Holder the Warrant Shares pursuant to Section 2(d)(i) by the Warrant Share Delivery Date, then the Holder will have the right to rescind such exercise.

iv. Compensation for Buy-In on Failure to Timely Deliver Warrant Shares Upon Exercise. In addition to any other rights available to the Holder, if the Company fails to cause the Transfer Agent to transmit to the Holder the Warrant Shares in accordance with the provisions of Section 2(d)(i) above pursuant to an exercise on or before the Warrant Share Delivery Date (other than a failure solely caused by incorrect or incomplete information provided by the Holder to the Company), 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 shares of 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 amounts 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 and/or 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.

v. No Fractional Shares or Scrip. No fractional shares or scrip representing fractional shares shall be issued upon the exercise of this Warrant. As to any fraction of a share which the Holder would otherwise be entitled to purchase upon such exercise, the Company shall, at its election, either pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Exercise Price or round up to the next whole share.

vi. Charges, Taxes and Expenses. Issuance of Warrant Shares shall be made without charge to the Holder for any issue or transfer tax or other incidental expense in respect of the issuance of such Warrant Shares, all of which taxes and expenses shall be paid by the Company, and such Warrant Shares shall be issued in the name of the Holder or in such name or names as may be directed by the Holder; provided, however, that, in the event that Warrant Shares are to be issued in a name other than the name of the Holder, this Warrant when surrendered for exercise shall be accompanied by the Assignment Form attached hereto duly executed by the Holder and the Company may require, as a condition thereto, the payment of a sum sufficient to reimburse it for any transfer tax incidental thereto. The Company shall pay all Transfer Agent fees required for same-day processing of any Notice of Exercise and all fees to the Depository Trust Company (or another established clearing corporation performing similar functions) required for same-day electronic delivery of the Warrant Shares.

vii. Closing of Books. The Company will not close its stockholder books or records in any manner which prevents the timely exercise of this Warrant, pursuant to the terms hereof.

e) Holder's Exercise Limitations. The Company shall not effect any exercise of this Warrant, and a Holder shall not have the right to exercise any portion of this Warrant, pursuant to Section 2 or otherwise, to the extent that after giving effect to such issuance after exercise as set forth on the applicable Notice of Exercise, the Holder (together with the Holder's Affiliates, and any other Persons acting as a group together with the Holder or any of the Holder's Affiliates (such Persons, "Attribution Parties")), would beneficially own in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by the Holder and its Affiliates and Attribution Parties shall include the number of shares of Common Stock issuable upon exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (i) exercise of the remaining, nonexercised portion of this Warrant beneficially owned by the Holder or any of its Affiliates or Attribution Parties and (ii) exercise or conversion of the unexercised or nonconverted portion of any other securities of the Company (including, without limitation, any other Common Stock Equivalents) subject to a limitation on conversion or exercise analogous to the limitation contained herein beneficially owned by the Holder or any of its Affiliates or Attribution Parties. Except as set forth in the preceding sentence, for purposes of this Section 2(e), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, it being acknowledged by the Holder that the Company is not representing to the Holder that such calculation is in compliance with Section 13(d) of the Exchange Act and the Holder is solely responsible for any schedules required to be filed in accordance therewith. To the extent that the limitation contained in this Section 2(e) applies, the determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable shall be in the sole discretion of the Holder, and the submission of a Notice of Exercise shall be deemed to be the Holder's determination of whether this Warrant is exercisable (in relation to other securities owned by the Holder together with any Affiliates and Attribution Parties) and of which portion of this Warrant is exercisable, in each case subject to the Beneficial Ownership Limitation, and the Company shall have no obligation to verify or confirm the accuracy of such determination. In addition, a determination as to any group status as contemplated above shall be determined in accordance with Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder. For purposes of this Section 2(e), in determining the number of outstanding shares of Common Stock, a Holder may rely on the number of outstanding shares of Common Stock as reflected in (A) the Company's most recent periodic or annual report filed with the Commission, as the case may be, (B) a more recent public announcement by the Company or (C) a more recent written notice by the Company or the Transfer Agent setting forth the number of shares of Common Stock outstanding. Upon the written or oral request of a Holder, the Company shall within one (1) Trading Day confirm orally and in writing to the Holder the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to the conversion or exercise of securities of the Company, including this Warrant, by the Holder or its Affiliates or Attribution Parties since the date as of which such number of outstanding shares of Common Stock was reported. The "Beneficial Ownership Limitation" shall be 4.99% of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock issuable upon exercise of this Warrant. The Holder, upon notice to the Company, may increase or decrease the Beneficial Ownership Limitation provisions of this Section 2(e), provided that the Beneficial Ownership Limitation in no event exceeds 9.99% of the number of the shares of Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock upon exercise of this Warrant held by the Holder and the provisions of this Section 2(e) shall continue to apply. Any increase in the Beneficial Ownership Limitation will not be effective until the sixty-first (61^{st}) day after such notice is delivered to the Company. The provisions of this paragraph shall be construed and implemented in a manner otherwise than in strict conformity with the terms of this Section 2(e) to correct this paragraph (or any portion hereof) which may be defective or inconsistent with the intended Beneficial Ownership Limitation herein contained or to make changes or supplements necessary or desirable to properly give effect to such limitation. The limitations contained in this paragraph shall apply to a successor holder of this Warrant.

Notwithstanding anything to the contrary contained herein, the Company shall not effect any exercise of this Warrant, and the Holder shall not be entitled to exercise this Warrant for a number of Warrant Shares in excess of that number of Warrant Shares which, upon giving effect to such exercise, would cause (i) the aggregate number of shares of Common Stock beneficially owned by the Holder and its Affiliates and any other Persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act and the rules and regulations promulgated thereunder, including any "group" of which the Holder is a member, to exceed 19.99% of the total number of issued and outstanding shares of Common Stock of the Company following such exercise, or (ii) the combined voting power of the securities of the Company beneficially owned by the Holder and its Affiliates and any other Persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act to exceed 19.99% of the combined voting power of all of the securities of the Company then outstanding following such exercise, in each case unless Company shareholder approval is obtained to exceed more than such 19.99% of the total number of issued and outstanding shares of Common Stock of the Company following such exercise in accordance with the rules of The Nasdaq Stock Market. For purposes of this Section 2(e), the aggregate number of shares of Common Stock or voting securities beneficially owned by the Holder and its Affiliates and any other Persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act shall include the shares of Common Stock issuable upon the exercise of this Warrant with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which would be issuable upon (x) exercise of the remaining unexercised and non-cancelled portion of this Warrant by the Holder and (y) exercise or conversion of the unexercised, non-converted or non-cancelled portion of any other securities of the Company that do not have voting power (including without limitation any securities of the Company which would entitle the holder thereof to acquire at any time Common Stock, including without limitation any debt, preferred stock, right, option, warrant 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), is subject to a limitation on conversion or exercise analogous to the limitation contained herein and is beneficially owned by the Holder or any of its Affiliates and other Persons whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act.

Section 3. Certain Adjustments.

a) Stock Dividends and Splits. If the Company, at any time while this Warrant is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions on its shares of Common Stock or any other equity or equity equivalent securities payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Company upon exercise of this Warrant), (ii) subdivides outstanding shares of Common Stock into a larger number of shares, (iii) combines (including by way of reverse stock split) outstanding shares of Common Stock into a smaller number of shares of Common Stock, or (iv) issues by reclassification of shares of Common Stock any shares of capital stock of the Company, then in each case the Exercise Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding treasury shares, if any) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event, and the number of shares issuable upon exercise of this Warrant shall be proportionately adjusted such that the aggregate Exercise Price of this Warrant shall remain unchanged. Any adjustment made pursuant to this Section 3(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision, combination or re-classification.

b) [RESERVED.]

c) Subsequent Rights Offerings. In addition to (but without duplication of) any adjustments pursuant to Section 3(a) above, if at any time the Company grants, issues or sells any Common Stock Equivalents or rights to purchase stock, warrants, securities or other property pro rata to the record holders of any class of shares of Common Stock (the "Purchase Rights"), then the Holder will be entitled to acquire, upon the terms applicable to such Purchase Rights, the aggregate Purchase Rights which the Holder could have acquired if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date on which a record is taken for the grant, issuance or sale of such Purchase Rights, or, if no such record is taken, the date as of which the record holders of shares of Common Stock are to be determined for the grant, issue or sale of such Purchase Rights (provided, however, to the extent that the Holder's right to participate in any such Purchase Right would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Purchase Right to such extent (or beneficial ownership of such shares of Common Stock as a result of such Purchase Right to such extent) and such Purchase Right to such extent shall be held in abeyance for the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

d) Pro Rata Distributions. During such time as this Warrant is outstanding, if the Company shall declare or make any dividend (other than cash) or other distribution of its assets (or rights to acquire its assets) to holders of Common Stock, by way of return of capital or otherwise (including, without limitation, any distribution of stock or other securities, property or options by way of a dividend, spin off, reclassification, corporate rearrangement, scheme of arrangement or other similar transaction) (a "Distribution"), at any time after the issuance of this Warrant, then, in each such case, the Holder shall be entitled to participate in such Distribution to the same extent that the Holder would have participated therein if the Holder had held the number of shares of Common Stock acquirable upon complete exercise of this Warrant (without regard to any limitations on exercise hereof, including without limitation, the Beneficial Ownership Limitation) immediately before the date of which a record is taken for such Distribution, or, if no such record is taken, the date as of which the record holders of Common Stock are to be determined for the participation in such Distribution (provided, however, to the extent that the Holder's right to participate in any such Distribution would result in the Holder exceeding the Beneficial Ownership Limitation, then the Holder shall not be entitled to participate in such Distribution to such extent (or in the beneficial ownership of any shares of Common Stock as a result of such Distribution to such extent) and the portion of such Distribution shall be held in abeyance for the benefit of the Holder until such time, if ever, as its right thereto would not result in the Holder exceeding the Beneficial Ownership Limitation).

e) Fundamental Transaction. If, at any time while this Warrant is outstanding, (i) the Company, directly or indirectly, in one or more related transactions effects any merger or consolidation of the Company with or into another Person, (ii) the Company, directly or indirectly, effects any sale, lease, license, assignment, transfer, conveyance or other disposition of all or substantially all of its assets in one or a series of related transactions, (iii) any, direct or indirect, purchase offer, tender offer or exchange offer (whether by the Company or another Person) is completed pursuant to which holders of Common Stock are permitted to sell, tender or exchange their shares for other securities, cash or property and has been accepted by the holders of more than 50% of the outstanding shares of Common Stock, (iv) the Company, directly or indirectly, in one or more related transactions effects any reclassification, reorganization or recapitalization of the shares of Common Stock or any compulsory share exchange pursuant to which the shares of Common Stock are effectively converted into or exchanged for other securities, cash or property, or (v) the Company, directly or indirectly, in one or more related transactions consummates a stock or share purchase agreement or other business combination (including, without limitation, a reorganization, recapitalization, spin-off, merger or scheme of arrangement) with another Person or group of Persons whereby such other Person or group acquires more than 50% of the outstanding shares of Common Stock (not including any shares of Common Stock held by the other Person or other Persons making or party to, or associated or affiliated with the other Persons making or party to, such stock or share purchase agreement or other business combination) and in connection with such transaction the Common Stock is converted into or exchanged for other securities, cash or property (each a "Fundamental Transaction"), then, upon any subsequent exercise of this Warrant, the Holder shall have the right to receive, for each Warrant Share that would have been issuable upon such exercise immediately prior to the occurrence of such Fundamental Transaction, at the option of the Holder (without regard to any limitation in Section 2(e) on the exercise of this Warrant), the securities, cash and other property of the successor or acquiring corporation (or ultimate parent company thereof) or of the Company, if it is the surviving corporation, as applicable (the "Alternate Consideration") receivable as a result of such Fundamental Transaction by a holder of the number of shares of Common Stock for which this Warrant is exercisable immediately prior to such Fundamental Transaction (without regard to any limitation in Section 2(e) on the exercise of this Warrant). 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 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 shares 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. Notwithstanding anything to the contrary, in the event of a Fundamental Transaction, the Company or any Successor Entity shall, at the Holder's option, exercisable at any time concurrently with, or within thirty (30) days after, the consummation of such Fundamental Transaction (or, if later, the date of the public announcement of the applicable Fundamental Transaction), purchase this Warrant from the Holder by paying to the Holder an amount of cash equal to the Black Scholes Value (as defined below) of the remaining unexercised portion of this Warrant on the date of the consummation of such Fundamental Transaction; provided, however, that, if the Fundamental Transaction is not within the Company's control, including not approved by the Company's Board of Directors, Holder shall only be entitled to receive from the Company or any Successor Entity, the same type or form of consideration (and in the same proportion), at the Black Scholes Value of the unexercised portion of this Warrant, that is being offered and paid to the holders of shares of Common Stock of the Company in connection with the Fundamental Transaction, whether that consideration be in the form of cash, stock or any combination thereof, or whether the holders of shares of Common Stock are given the choice to receive from among alternative forms of consideration in connection with the Fundamental Transaction; provided, further, that if holders of shares of Common Stock of the Company are not offered or paid any consideration in such Fundamental Transaction, such holders of shares of Common Stock will be deemed to have received shares of common stock of the Successor Entity (which Successor Entity may be the Company following such Fundamental Transaction) in such Fundamental Transaction. "Black Scholes Value" means the value of this Warrant based on the Black-Scholes Option Pricing Model obtained from the "OV" function on Bloomberg, L.P. ("Bloomberg") determined as of the day of consummation of the applicable Fundamental Transaction for pricing purposes and reflecting (A) a risk-free interest rate corresponding to the U.S. Treasury rate for a period equal to the time between the date of the public announcement of the applicable contemplated Fundamental Transaction and the Termination Date, (B) an expected volatility equal to the 100 day volatility obtained from the HVT function on Bloomberg (determined utilizing a 365 day annualization factor) as of the Trading Day immediately following the public announcement of the applicable contemplated Fundamental Transaction, (C) the underlying price per share used in such calculation shall be the sum of the price per share being offered in cash, if any, plus the value of any non-cash consideration, if any, being offered in such Fundamental Transaction, (D) a remaining option time equal to the time between the date of the public announcement of the applicable contemplated Fundamental Transaction and the Termination Date and (E) a zero cost of borrow. The payment of the Black Scholes Value will be made by wire transfer of immediately available funds within five Business Days of the Holder's election (or, if later, on the effective date of the Fundamental Transaction). The Company shall cause any successor entity in a Fundamental Transaction in which the Company is not the survivor (the "Successor Entity") to assume in writing all of the obligations of the Company under this Warrant and the Other Transaction Documents in accordance with the provisions of this Section 3(e) pursuant to written agreements in form and substance reasonably satisfactory to the Holder prior to such Fundamental Transaction and shall, at the option of the Holder, deliver to the Holder in exchange for this Warrant a security of the Successor Entity evidenced by a written instrument substantially similar in form and substance to this Warrant which is exercisable for the Alternate Consideration, and with an exercise price which applies the exercise price hereunder to such Alternate Consideration (but taking into account the relative value of the shares of Common Stock pursuant to such Fundamental Transaction and the value of such Alternate Consideration, such number of shares of capital stock and such exercise price being for the purpose of protecting the economic value of this Warrant immediately prior to the consummation of such Fundamental Transaction), and which is reasonably satisfactory in form and substance to the Holder. Upon the occurrence of any such Fundamental Transaction, the Successor Entity shall succeed to, and be substituted for (so that from and after the date of such Fundamental Transaction, the provisions of this Warrant and the Transaction Documents referring to the "Company" shall refer instead to the Successor Entity), and may exercise every right and power of the Company and shall assume all of the obligations of the Company under this Warrant and the other Transaction Documents with the same effect as if such Successor Entity had been named as the Company herein.

f) Calculations. All calculations under this Section 3 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 3, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding treasury shares, if any) issued and outstanding.

g) Notice to Holder.

i. Adjustment to Exercise Price. Whenever the Exercise Price is adjusted pursuant to any provision of this Section 3, the Company shall promptly deliver to the Holder by facsimile or email a notice setting forth the Exercise Price after such adjustment and any resulting adjustment to the number of Warrant Shares and setting forth a brief statement of the facts requiring such adjustment.

ii. Notice to Allow Exercise by Holder. If (A) the Company shall declare a dividend (or any other distribution in whatever form) on the shares of Common Stock, (B) the Company shall declare a special nonrecurring cash dividend on or a redemption of the shares of Common Stock, (C) the Company shall authorize the granting to all holders of the shares of Common Stock rights or warrants to subscribe for or purchase any capital stock of any class or of any rights, (D) the approval of any stockholders of the Company shall be required in connection with any reclassification of the shares of Common Stock, any consolidation or merger to which the Company is a party, any sale or transfer of all or substantially all of the assets of the Company, or any compulsory share exchange whereby the shares of Common Stock are converted into other securities, cash or property, or (E) the Company shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Company, then, in each case, the Company shall cause to be delivered by facsimile or email to the Holder at its last facsimile number or email address as it shall appear upon the Warrant Register of the Company, at least five (5) calendar days prior to the applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the shares of Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or stock exchange is expected to become effective or close, and the date as of which it is expected that holders of the shares of Common Stock of record shall be entitled to exchange their shares of Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or stock exchange; provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice and provided further, that no notice shall be required if the information is disseminated in a press release or document publicly filed with the Commission. To the extent that any notice provided in this Warrant constitutes, or contains, material, non-public information regarding the Company, the Company shall simultaneously file such notice with the Commission pursuant to a Current Report on Form 8-K. The Holder shall remain entitled to exercise this Warrant during the period commencing on the date of such notice to the effective date of the event triggering such notice except as may otherwise be expressly set forth herein.

iii. Voluntary Adjustments by the Company. The Company may, subject to the rules and regulations of the Trading Market, at any time during the term of this Warrant, reduce the then current Exercise Price to any amount and extend the term of this Warrant for any period of time deemed appropriate by the Board of Directors of the Company, with the prior written consent of the Holder.

Section 4. Transfer of Warrant.

a) Transferability. Subject to compliance with any applicable securities laws and the conditions set forth in Section 4(d) hereof and to the provisions of Article IV of the Purchase Agreement, this Warrant and all rights hereunder (including, without limitation, any registration rights) are transferable, in whole or in part, upon surrender of this Warrant at the principal office of the Company or its designated agent, together with a written assignment of this Warrant substantially in the form attached hereto duly executed by the Holder or its agent or attorney and funds sufficient to pay any transfer taxes payable upon the making of such transfer. Upon such surrender and, if required, such payment, the Company shall execute and deliver a new Warrant or Warrants in the name of the assignee or assignees, as applicable, and in the denomination or denominations specified in such instrument of assignment, and shall issue to the assignor a new Warrant evidencing the portion of this Warrant not so assigned, and this Warrant shall promptly be cancelled. Notwithstanding anything herein to the contrary, the Holder shall not be required to physically surrender this Warrant to the Company unless the Holder has assigned this Warrant in full, in which case, the Holder shall surrender this Warrant to the Company within three (3) Trading Days of the date on which the Holder delivers an assignment form to the Company assigning this Warrant in full. The Warrant, if properly assigned in accordance herewith, may be exercised by a new holder for the purchase of Warrant Shares without having a new Warrant issued.

b) New Warrants. This Warrant may be divided or combined with other Warrants upon presentation hereof at the aforesaid office of the Company, together with a written notice specifying the names and denominations in which new Warrants are to be issued, signed by the Holder or its agent or attorney. Subject to compliance with Section 4(a), as to any transfer which may be involved in such division or combination, the Company shall execute and deliver a new Warrant or Warrants in exchange for the Warrant or Warrants to be divided or combined in accordance with such notice. All Warrants issued on transfers or exchanges shall be dated the Initial Exercise Date and shall be identical with this Warrant except as to the number of Warrant Shares issuable pursuant thereto.

c) Warrant Register. The Company shall register this Warrant, upon records to be maintained by the Company for that purpose (the "Warrant Register"), in the name of the record Holder hereof from time to time. The Company may deem and treat the registered Holder of this Warrant as the absolute owner hereof for the purpose of any exercise hereof or any distribution to the Holder, and for all other purposes, absent actual notice to the contrary.

d) Transfer Restrictions. If, at the time of the surrender of this Warrant in connection with any transfer of this Warrant, the transfer of this Warrant shall not be either (i) registered pursuant to an effective registration statement under the Securities Act and under applicable state securities or blue sky laws or (ii) eligible for resale without volume or manner-of-sale restrictions or current public information requirements pursuant to Rule 144, the Company may require, as a condition of allowing such transfer, that the Holder or transferee of this Warrant, as the case may be, comply with the provisions of Section 5.7 of the Purchase Agreement.

e) Representation by the Holder. The Holder, by the acceptance hereof, represents and warrants that it is acquiring this Warrant and, upon any exercise hereof, will acquire the Warrant Shares issuable upon such exercise, for its own account and not with a view to or for distributing or reselling such Warrant Shares or any part thereof in violation of the Securities Act or any applicable state securities law, except pursuant to sales registered or exempted under the Securities Act.

Section 5. Miscellaneous.

a) No Rights as Stockholder Until Exercise. This Warrant does not entitle the Holder to any voting rights, dividends or other rights as a stockholder of the Company prior to the exercise hereof as set forth in Section 2(d)(i), except as expressly set forth in Section 3.

b) Loss, Theft, Destruction or Mutilation of Warrant. The Company covenants that upon receipt by the Company of evidence reasonably satisfactory to it of the loss, theft, destruction or mutilation of this Warrant or any stock certificate relating to the Warrant Shares, and in case of loss, theft or destruction, of indemnity or security reasonably satisfactory to it (which, in the case of the Warrant, shall not include the posting of any bond), and upon surrender and cancellation of such Warrant or stock certificate, if mutilated, the Company will make and deliver a new Warrant or stock certificate of like tenor and dated as of such cancellation, in lieu of such Warrant or stock certificate.

c) Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

d) Authorized Shares.

The Company covenants that, during the period the Warrant is outstanding, it will reserve from its authorized and unissued shares of Common Stock a sufficient number of shares to provide for the issuance of the Warrant Shares upon the exercise of any purchase rights under this Warrant. The Company further covenants that its issuance of this Warrant shall constitute full authority to its officers who are charged with the duty of issuing the necessary Warrant Shares upon the exercise of the purchase rights under this Warrant. The Company will take all such reasonable action as may be necessary to assure that such Warrant Shares may be issued as provided herein without violation of any applicable law or regulation, or of any requirements of the Trading Market upon which the shares of Common Stock may be listed. The Company covenants that all Warrant Shares which may be issued upon the exercise of the purchase rights represented by this Warrant will, upon exercise of the purchase rights represented by this Warrant and payment for such Warrant Shares in accordance herewith, be duly authorized, validly issued, fully paid and nonassessable and free from all taxes, liens and charges created by the Company in respect of the issue thereof (other than taxes in respect of any transfer occurring contemporaneously with such issue).

Except and to the extent as waived or consented to by the Holder, the Company shall not by any action, including, without limitation, amending its certificate of incorporation or through any reorganization, transfer of assets, consolidation, merger, 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, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of Holder as set forth in this Warrant against impairment. Without limiting the generality of the foregoing, the Company will (i) not increase the par value of any Warrant Shares above the amount payable therefor upon such exercise immediately prior to such increase in par value, (ii) take all such action as may be necessary or appropriate in order that the Company may validly and legally issue fully paid and nonassessable Warrant Shares upon the exercise of this Warrant and (iii) use commercially reasonable efforts to obtain all such authorizations, exemptions or consents from any public regulatory body having jurisdiction thereof, as may be, necessary to enable the Company to perform its obligations under this Warrant.

Before taking any action which would result in an adjustment in the number of Warrant Shares for which this Warrant is exercisable or in the Exercise Price, the Company shall obtain all such authorizations or exemptions thereof, or consents thereto, as may be necessary from any public regulatory body or bodies having jurisdiction thereof.

e) Jurisdiction and Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Warrant shall be determined in accordance with Section 5.9 of the Purchase Agreement.

f) Restrictions. The Holder acknowledges that the Warrant Shares acquired upon the exercise of this Warrant, if not registered, and the Holder does not utilize cashless exercise, will have restrictions upon resale imposed by state and federal securities laws.

g) Nonwaiver and Expenses. No course of dealing or any delay or failure to exercise any right hereunder on the part of Holder shall operate as a waiver of such right or otherwise prejudice the Holder's rights, powers or remedies. Without limiting any other provision of this Warrant or the Purchase Agreement, if the Company willfully and knowingly fails to comply with any provision of this Warrant, which results in any material damages to the Holder, the Company shall pay to the Holder such amounts as shall be sufficient to cover any costs and expenses including, but not limited to, reasonable attorneys' fees, including those of appellate proceedings, incurred by the Holder in collecting any amounts due pursuant hereto or in otherwise enforcing any of its rights, powers or remedies hereunder.

h) Notices. Any notice, request or other document required or permitted to be given or delivered to the Holder by the Company shall be delivered in accordance with the notice provision in Section 5.4 of the Purchase Agreement.

i) Limitation of Liability. No provision hereof, in the absence of any affirmative action by the Holder to exercise this Warrant to purchase Warrant Shares, and no enumeration herein of the rights or privileges of the Holder, shall give rise to any liability of the Holder for the purchase price of any shares of Common Stock or as a stockholder of the Company, whether such liability is asserted by the Company or by creditors of the Company.

j) Remedies. The Holder, in addition to being entitled to exercise all rights granted by law, including recovery of damages, will be entitled to specific performance of its rights under this Warrant. The Company agrees that monetary damages would not be adequate compensation for any loss incurred by reason of a breach by it of the provisions of this Warrant and hereby agrees to waive and not to assert the defense in any action for specific performance that a remedy at law would be adequate.

k) Successors and Assigns. Subject to applicable securities laws, this Warrant and the rights and obligations evidenced hereby shall inure to the benefit of and be binding upon the successors and permitted assigns of the Company and the successors and permitted assigns of Holder. The provisions of this Warrant are intended to be for the benefit of any Holder from time to time of this Warrant and shall be enforceable by the Holder or holder of Warrant Shares.

l) Amendment. This Warrant may be modified or amended or the provisions hereof waived with the written consent of the Company, on the one hand, and the Holder, on the other hand.

m) Severability. Wherever possible, each provision of this Warrant shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Warrant shall be prohibited by or invalid under applicable law, such provision shall be ineffective to the extent of such prohibition or invalidity, without invalidating the remainder of such provisions or the remaining provisions of this Warrant.

n) Headings. The headings used in this Warrant are for the convenience of reference only and shall not, for any purpose, be deemed a part of this Warrant.

****

(Signature Page Follows)

IN WITNESS WHEREOF, the Company has caused this Warrant to be executed by its officer thereunto duly authorized as of the date first above indicated.

CREATIVE REALITIES, INC.

By: _____
Name:
Title:

NOTICE OF EXERCISE

TO: **CREATIVE REALITIES, INC.**

(1) The undersigned hereby elects to purchase _____ Warrant Shares of the Company pursuant to the terms of the attached Warrant (only if exercised in full), and tenders herewith payment of the exercise price in full, together with all applicable transfer taxes, if any.

(2) Payment shall take the form of (check applicable box):

☐ in lawful money of the United States; or

☐ if permitted the cancellation of such number of Warrant Shares as is necessary, in accordance with the formula set forth in subsection 2(c), to exercise this Warrant with respect to the maximum number of Warrant Shares purchasable pursuant to the cashless exercise procedure set forth in subsection 2(c).

(3) Please issue said Warrant Shares in the name of the undersigned or in such other name as is specified below:

_____

The Warrant Shares shall be delivered to the following DWAC Account Number:

_____

_____

_____

(4) Accredited Investor. The undersigned is an "accredited investor" as defined in Regulation D promulgated under the Securities Act of 1933, as amended.

_____

_____

[SIGNATURE OF HOLDER]

Name of Investing Entity: _____
Signature of Authorized Signatory of Investing Entity: _____
Name of Authorized Signatory: _____
Title of Authorized Signatory: _____
Date: _____

Exhibit B

ASSIGNMENT FORM

(To assign the foregoing Warrant, execute this form and supply required information. Do not use this form to purchase shares.)

FOR VALUE RECEIVED, the foregoing Warrant and all rights evidenced thereby are hereby assigned to

Name: _____
(Please Print)

Address: _____
(Please Print)

Phone Number: _____

Email Address: _____

Dated: _____ __, _____

Holder's Signature:_____

Holder's Address:_____

Exhibit 10.1

SECURITIES PURCHASE AGREEMENT

This Securities Purchase Agreement (this "Agreement") is dated as of February 3, 2022, between Creative Realities, Inc., a Minnesota corporation (the "Company"), and each purchaser identified on the signature page hereto (including its successors and assigns, a "Purchaser" and collectively, the "Purchasers").

WHEREAS, subject to the terms and conditions set forth in this Agreement and pursuant to an exemption from the registration requirements of Section 5 of the Securities Act contained in Section 4(a)(2) thereof and/or Regulation D thereunder as to the Shares, Common Warrants and Pre-Funded Warrants, the Company desires to issue and sell to each Purchaser, and each Purchaser, severally and not jointly, desires to purchase from the Company, securities of the Company as more fully described in this Agreement.

NOW, THEREFORE, IN CONSIDERATION of the mutual covenants contained in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the Company and each Purchaser agree as follows:

ARTICLE I.
DEFINITIONS

1.1 Definitions. In addition to the terms defined elsewhere in this Agreement, for all purposes of this Agreement, the following terms have the meanings set forth in this Section 1.1:

"Acquiring Person" shall have the meaning ascribed to such term in Section 4.5.

"Action" shall have the meaning ascribed to such term in Section 3.1(j).

"Affiliate" means any Person that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a Person as such terms are used in and construed under Rule 405 under the Securities Act.

"Board of Directors" means the board of directors of the Company.

"Business Day" means any day except any Saturday, any Sunday, any day which is a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close; provided, however, for clarification, commercial banks shall not be deemed to be authorized or required by law to remain closed due to "stay at home", "shelter-in-place", "non-essential employee" or any other similar orders or restrictions or the closure of any physical branch locations at the direction of any governmental authority so long as the electronic funds transfer systems (including for wire transfers) of commercial banks in the City of New York generally are open for use by customers on such day.

"Closing" means the closing of the purchase and sale of the Securities pursuant to Section 2.1.

"Closing Date" means the Trading Day on which all of the Transaction Documents have been executed and delivered by the applicable parties thereto, and all conditions precedent to (i) the Purchasers' obligations to pay the Subscription Amount and (ii) the Company's obligations to deliver the Securities, in each case, have been satisfied or waived, but in no event later than the second (2nd) Trading Day following the date hereof.

"Commission" means the United States Securities and Exchange Commission.

"Common Stock" means the common stock of the Company, par value $0.01 per share.

"Common Stock Equivalents" means any securities of the Company or the Subsidiaries which would entitle the holder thereof to acquire at any time Common Stock, including, without limitation, any debt, preferred shares, right, option, warrant 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.

"Common Warrants" means the Common Stock purchase warrants delivered to the Purchasers at the Closing in accordance with Section 2.2(a) hereof, which Warrants shall be immediately exercisable and shall have a term of exercise equal to five (5) years from the date of initial exercisability, in the form of Exhibit A attached hereto.

"Common Warrant Shares" means the shares of Common Stock issuable upon exercise of the Common Warrants.

"Company Counsel" means Maslon LLP.

"Disclosure Schedules" means the Disclosure Schedules of the Company delivered concurrently herewith.

"Disclosure Time" means, (i) if this Agreement is signed on a day that is not a Trading Day or after 9:00 a.m. (New York City time) and before midnight (New York City time) on any Trading Day, 9:01 a.m. (New York City time) on the Trading Day immediately following the date hereof, and (ii) if this Agreement is signed between midnight (New York City time) and 9:00 a.m. (New York City time) on any Trading Day, no later than 9:01 a.m. (New York City time) on the date hereof.

"Evaluation Date" shall have the meaning ascribed to such term in Section 3.1(s).

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"Exempt Issuance" means the issuance of (a) shares of Common Stock or options to employees, consultants, officers or directors of the Company pursuant to any share or option plan or arrangement duly adopted for such purpose (including the Retention Bonus Plan to be adopted by the Company in connection with the Merger), by a majority of the non-employee members of the Board of Directors or a majority of the members of a committee of non-employee directors established for such purpose for services rendered to the Company, (b) securities upon the exercise or exchange of or conversion of any Securities issued hereunder and/or other securities exercisable or exchangeable for or convertible into shares of Common Stock issued and outstanding on the date of this Agreement, provided that such securities have not been amended since the date of this Agreement to increase the number of such securities or to decrease the exercise price, exchange price or conversion price of such securities (other than in connection with share splits or combinations) or to extend the term of such securities, (c) securities issued pursuant to acquisitions or strategic transactions and the payment of contractor invoices in the ordinary course of business approved by a majority of the disinterested directors of the Company, provided that such securities are issued as "restricted securities" (as defined in Rule 144) and carry no registration rights that require or permit the filing of any registration statement in connection therewith during the prohibition period in Section 4.12(a) herein, and provided that any such issuance shall only be to a Person (or to the equityholders of a Person) which is, itself or through its subsidiaries, an operating company or an owner of an asset in a business synergistic with the business of the Company and shall provide to the Company additional benefits in addition to the investment of funds, but shall not include a transaction in which the Company is issuing securities primarily for the purpose of raising capital or to an entity whose primary business is investing in securities, and (d) Common Stock issued and issuable upon the exercise or exchange of or conversion of any Common Stock Equivalents issued to Slipstream Communications, LLC and its Affiliates in connection with any debt financing transaction consummated at or in connection with the closing of the Merger.

"FCPA" means the Foreign Corrupt Practices Act of 1977, as amended.

"Indebtedness" shall have the meaning ascribed to such term in Section 3.1(aa).

"Intellectual Property Rights" shall have the meaning ascribed to such term in Section 3.1(p).

"Issuer Covered Person" means the Company, any of its predecessors, any affiliated issuer, or, to its knowledge, any director, executive officer, other officer of the Company participating in the offering hereunder, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale.

"Legend Removal Date" shall have the meaning ascribed to such term in Section 4.1(c).

"Liens" means a lien, charge, pledge, security interest, encumbrance, right of first refusal, preemptive right or other restriction.

"Material Adverse Effect" shall have the meaning assigned to such term in Section 3.1(b).

"Material Permits" shall have the meaning ascribed to such term in Section 3.1(n).

"Merger" means the pending merger described in that certain Agreement and Plan of Merger dated November 12, 2021, among the Company, Reflect Systems, Inc. and certain other parties thereto.

"Per Share Purchase Price" equals $1.535, subject to adjustment for reverse and forward share splits, share dividends, share combinations and other similar transactions of the shares of Common Stock that occur after the date of this Agreement.

"Person" means an individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

"Per Pre-Funded Warrant Purchase Price" means $1.5349, subject to adjustment for reverse and forward share splits, share dividends, share combinations and other similar transactions of the shares of Common Stock that occur after the date of this Agreement.

"Placement Agent" means A.G.P./Alliance Global Partners.

"Placement Agency Agreement" means that certain placement agency agreement dated as of the date hereof between the Company and the Placement Agent.

"Pre-Funded Warrants" means the pre-funded Common Stock purchase warrants delivered to the Purchasers at the Closing in accordance with Section 2.2(a) hereof, which Pre-Funded Warrants shall be exercisable immediately and shall expire when exercised in full, in the form of Exhibit B attached hereto.

"Pre-Funded Warrant Shares" means the shares of Common Stock issuable upon exercise of the Pre-Funded Warrants.

"Proceeding" means an action, claim, suit, investigation or proceeding (including, without limitation, an informal investigation or partial proceeding, such as a deposition) pending or, to the Company's knowledge, threatened in writing against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign).

"Purchaser Party" shall have the meaning ascribed to such term in Section 4.8.

"Registration Rights Agreement" means the Registration Rights Agreement, date on or about the date hereof, among the Company and the Purchasers, in the form of Exhibit C attached hereto.

"Registration Statement" means a registration statement meeting the requirements set forth in the Registration Rights Agreement and covering the resale by the Purchasers of the Shares and the Warrant Shares.

"Required Approvals" shall have the meaning ascribed to such term in Section 3.1(e).

"Rule 144" means Rule 144 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"Rule 424" means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"SEC Reports" shall have the meaning ascribed to such term in Section 3.1(h).

"Securities" means the Shares, the Warrants and the Warrant Shares.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Shares" means the shares of Common Stock issued or issuable to each Purchaser pursuant to this Agreement, but excludes the Warrant Shares.

"Short Sales" means all "short sales" as defined in Rule 200 of Regulation SHO under the Exchange Act (but shall not be deemed to include locating and/or borrowing shares of Common Stock).

"Subscription Amount" means, as to each Purchaser, the aggregate amount to be paid for Shares, Pre-Funded Warrants and Warrants purchased hereunder as specified below such Purchaser's name on the signature page of this Agreement and next to the heading "Subscription Amount," in United States dollars and in immediately available funds.

"Subsidiary" means any subsidiary of the Company as set forth on Schedule 3.1(a), and shall, where applicable, also include any direct or indirect subsidiary of the Company formed or acquired after the date hereof.

"Thompson Hine" means Thompson Hine LLP, with offices located at 335 Madison Avenue, New York, New York 10017.

"Trading Day" means a day on which the principal Trading Market is open for trading.

"Trading Market" means any of the following markets or exchanges on which the Common Stock are listed or quoted for trading on the date in question: the NYSE American, the Nasdaq Capital Market, the Nasdaq Global Market, the Nasdaq Global Select Market or the New York Stock Exchange (or any successors to any of the foregoing).

"Transaction Documents" means this Agreement, the Pre-Funded Warrants, the Warrants, the Registration Rights Agreement, the Placement Agency Agreement, all exhibits and schedules thereto and hereto and any other documents or agreements executed in connection with the transactions contemplated hereunder.

"Transfer Agent" means Computershare Limited, and any successor transfer agent of the Company.

"VWAP" means, for any date, the price determined by the first of the following clauses that applies: (a) if the Common Stock are then listed or quoted on a Trading Market, the daily volume weighted average price of the Common Stock for such date (or the nearest preceding date) on the Trading Market on which the Common Stock are then listed or quoted as reported by Bloomberg L.P. (based on a Trading Day from 9:30 a.m. (New York City time) to 4:02 p.m. (New York City time)), (b) if OTCQB or OTCQX is not a Trading Market, the volume weighted average price of the Common Stock for such date (or the nearest preceding date) on OTCQB or OTCQX as applicable, (c) if the Common Stock are not then listed or quoted for trading on OTCQB or OTCQX and if prices for the Common Stock are then reported on the Pink Open Market (or a similar organization or agency succeeding to its functions of reporting prices), the most recent bid price per share of the Common Stock so reported, or (d) in all other cases, the fair market value of an Common Stock as determined by an independent appraiser selected in good faith by the Purchasers of a majority in interest of the Securities then outstanding and reasonably acceptable to the Company, the fees and expenses of which shall be paid by the Company.

"Warrants" means collectively, the (i) Common Warrants and (ii) Pre-Funded Warrants.

"Warrant Shares" means collectively, the (i) Common Warrant Shares and (ii) Pre-Funded Warrant Shares.

ARTICLE II.
PURCHASE AND SALE

2.1 Closing. On the Closing Date, upon the terms and subject to the conditions set forth herein, the Company agrees to sell, and the Purchasers, severally and not jointly, agree to purchase, up to an aggregate of $11,000,000 of Shares (at the Per Share Purchase Price), Pre-Funded Warrants (at the Per Pre-Funded Warrant Purchase Price) and the corresponding number of Common Warrants as determined pursuant to Section 2.2(a)(vi); provided, however, that, to the extent that any Purchaser determines, in its sole discretion, that such Purchaser (together with such Purchaser's Affiliates, and any Person acting as a group together with such Purchaser or any of such Purchaser's Affiliates) would beneficially own in excess of the Beneficial Ownership Limitation, or as such Purchaser may otherwise choose, in lieu of purchasing Shares, such Purchaser may elect to purchase Pre-Funded Warrants in such manner to result in the same aggregate purchase price being paid by such Purchaser to the Company (less, in each case, $0.0001 for each Pre-Funded Warrant, as compared to each Share). The "Beneficial Ownership Limitation" shall be 9.99% (or, at the election of any Purchaser, 4.99%) of the number of shares of Common Stock outstanding immediately after giving effect to the issuance of the Shares on the Closing Date. Each Purchaser shall deliver to the Company, via wire transfer or a certified check, immediately available funds equal to such Purchaser's Subscription Amount as set forth on the signature page hereto executed by such Purchaser, and the Company shall deliver to each Purchaser its Shares, Pre-Funded Warrants and Warrants as determined pursuant to Section 2.2, and the Company and each Purchaser shall deliver the other items set forth in Section 2.2 deliverable at the Closing. Upon satisfaction of the covenants and conditions set forth in Sections 2.2 and 2.3, the Closing shall occur at the offices of Thompson Hine or such other location as the parties hereto shall mutually agree. The Company covenants that, if a Purchaser delivers a Notice of Exercise (as defined in the Pre-Funded Warrant or Common Warrant, as applicable) no later than 12:00 p.m. (New York City time) on the Closing Date to exercise any Pre-Funded Warrants or Common Warrants between the date hereof and the Closing Date, the Company shall deliver Pre-Funded Warrant Shares or Common Warrant Shares, as applicable to such Purchaser on the Closing Date in connection with such Notice of Exercise.

2.2 Deliveries.

(a) On or prior to the Closing Date, the Company shall deliver or cause to be delivered to each Purchaser the following:

(i) this Agreement duly executed by the Company;

(ii) a legal opinion of Company Counsel in a form reasonably acceptable to each Purchaser and the Placement Agent;

(iii) the Company shall have provided each Purchaser with the Company's wire instructions, on Company letterhead and executed by the Company's Chief Executive Officer or Chief Financial Officer;

(iv) the Company shall have provided each Purchaser and the Placement Agent with a certificate executed by the Chief Financial Officer of the Company, dated as of such date, in form and substance satisfactory to each Purchaser and the Placement Agent;

(v) a copy of the irrevocable instructions to the Transfer Agent instructing the Transfer Agent to deliver on an expedited basis, (i) certificates evidencing the number of Shares contemplated to be issued pursuant to the signature page of each Purchaser attached hereto, or (ii) at the election of each Purchaser, evidence of the issuance of such Purchaser's Shares as held in restricted book-entry form by the Transfer Agent, which evidence shall be reasonably satisfactory to each applicable Purchaser, in each case, registered in the name of such Purchaser;

(vi) the Registration Rights Agreement duly executed by the Company;

(vii) a Warrant registered in the name of such Purchaser to purchase up to a number of shares of Common Stock equal to 100% of such Purchaser's Shares and/or Pre-Funded Warrant Shares issuable upon exercise of the Pre-Funded Warrants, in such Closing, with an exercise price equal to $1.41 per share, subject to adjustment therein; and

(viii) in the event that Pre-Funded Warrants are to be issued to a Purchaser, Pre-Funded Warrants registered in the name of such Purchaser to purchase up to a number of shares of Common Stock equal to the portion of such Purchaser's Subscription Amount applicable to the Pre-Funded Warrants divided by the Per Share Pre-Funded Warrant Price, with an unfunded exercise price equal to $0.0001 per share, subject to adjustment therein.

(b) On or prior to the Closing Date (unless otherwise set forth below), each Purchaser shall deliver or cause to be delivered to the Company the following:

(i) this Agreement duly executed by such Purchaser;

(ii) the Registration Rights Agreement duly executed by such Purchaser; and

(iii) such Purchaser's Subscription Amount by wire transfer or certified check to the account specified in writing by the Company.

2.3 Closing Conditions.

(a) The obligations of the Company hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of the Purchasers contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of each Purchaser required to be performed at or prior to the Closing Date shall have been performed; and

(iii) the delivery by each Purchaser of the items set forth in Section 2.2(b) of this Agreement.

(b) The respective obligations of the Purchasers hereunder in connection with the Closing are subject to the following conditions being met:

(i) the accuracy in all material respects (or, to the extent representations or warranties are qualified by materiality or Material Adverse Effect, in all respects) when made and on the Closing Date of the representations and warranties of the Company contained herein (unless as of a specific date therein in which case they shall be accurate as of such date);

(ii) all obligations, covenants and agreements of the Company required to be performed at or prior to the Closing Date shall have been performed;

(iii) the delivery by the Company of the items set forth in Section 2.2(a) of this Agreement;

(iv) there shall have been no Material Adverse Effect with respect to the Company since the date hereof; and

(v) from the date hereof to the Closing Date, trading in the Common Stock shall not have been suspended by the Commission or the Company's principal Trading Market, and, at any time prior to the Closing Date, trading in securities generally as reported by Bloomberg L.P. shall not have been suspended or limited, or minimum prices shall not have been established on securities whose trades are reported by such service, or on any Trading Market, nor shall a banking moratorium have been declared either by the United States or New York State authorities nor shall there have occurred any material outbreak or escalation of hostilities or other national or international calamity (excluding the COVID-19 pandemic) of such magnitude in its effect on, or any material adverse change in, any financial market which, in each case, in the reasonable judgment of such Purchaser, makes it impracticable or inadvisable to purchase the Securities at the Closing.

ARTICLE III.
REPRESENTATIONS AND WARRANTIES

3.1 Representations and Warranties of the Company. Except as set forth in the SEC Reports or the Disclosure Schedules, which SEC Reports and Disclosure Schedules shall be deemed a part hereof and shall qualify any representation or warranty otherwise made herein to the extent of the disclosure contained in the SEC Reports or corresponding section of the Disclosure Schedules, the Company hereby makes the following representations and warranties to each Purchaser:

(a) Subsidiaries. All of the direct and indirect subsidiaries of the Company are set forth on the SEC Reports. The Company owns, directly or indirectly, all of the capital share or other equity interests of each Subsidiary free and clear of any Liens, and all of the issued and outstanding shares of capital stock of each Subsidiary are validly issued and are fully paid, non-assessable and free of preemptive and similar rights to subscribe for or purchase securities. If the Company has no subsidiaries, all other references to the Subsidiaries or any of them in the Transaction Documents shall be disregarded.

(b) Organization and Qualification. The Company and each of the Subsidiaries is an entity duly incorporated or otherwise organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, with the requisite power and authority to own and use its properties and assets and to carry on its business as currently conducted. Neither the Company nor any Subsidiary is in violation nor default of any of the provisions of its respective certificate or articles of incorporation or other organizational or charter documents. Each of the Company and the Subsidiaries is duly qualified to conduct business and is in good standing as a foreign corporation or other entity in each jurisdiction in which the nature of the business conducted or property owned by it makes such qualification necessary, except where the failure to be so qualified or in good standing, as the case may be, could not have or reasonably be expected to result in: (i) a material adverse effect on the legality, validity or enforceability of any Transaction Document, (ii) a material adverse effect on the results of operations, assets, business, or condition (financial or otherwise) of the Company and the Subsidiaries, taken as a whole, or (iii) a material adverse effect on the Company's ability to perform in any material respect on a timely basis its obligations under any Transaction Document (any of (i), (ii) or (iii), a "Material Adverse Effect"); provided that a change in the market price or trading volume of the Common Stock alone shall not be deemed, in and of itself, to constitute a Material Adverse Effect. No Proceeding has been instituted in any such jurisdiction revoking, limiting or curtailing or seeking to revoke, limit or curtail such power and authority or qualification.

(c) Authorization; Enforcement. The Company has the requisite corporate power and authority to enter into and to consummate the transactions contemplated by this Agreement and each of the other Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of this Agreement and each of the other Transaction Documents by the Company and the consummation by it of the transactions contemplated hereby and thereby have been duly authorized by all necessary action on the part of the Company and no further action is required by the Company, the Board of Directors or the Company's shareholders in connection herewith or therewith other than in connection with the Required Approvals. This Agreement and each other Transaction Document to which it is a party has been (or upon delivery will have been) duly executed by the Company and, when delivered in accordance with the terms hereof and thereof, will constitute the valid and binding obligation of the Company enforceable against the Company in accordance with its terms, except (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(d) No Conflicts. The execution, delivery and performance by the Company of this Agreement and the other Transaction Documents to which it is a party, the issuance and sale of the Securities and the consummation by it of the transactions contemplated hereby and thereby do not and will not (i) conflict with or violate any provision of the Company's or any Subsidiary's certificate or articles of incorporation or other organizational or charter documents, or (ii) conflict with, or constitute a default (or an event that with notice or lapse of time or both would become a default) under, result in the creation of any Lien upon any of the properties or assets of the Company or any Subsidiary, or give to others any rights of termination, amendment, anti-dilution or similar adjustments, acceleration or cancellation (with or without notice, lapse of time or both) of, any agreement, credit facility, debt or other instrument (evidencing a Company or Subsidiary debt or otherwise) or other understanding to which the Company or any Subsidiary is a party or by which any property or asset of the Company or any Subsidiary is bound or affected, or (iii) subject to the Required Approvals, conflict with or result in a violation of any law, rule, regulation, order, judgment, injunction, decree or other restriction of any court or governmental authority to which the Company or a Subsidiary is subject (including federal and state securities laws and regulations), or by which any property or asset of the Company or a Subsidiary is bound or affected; except in the case of each of clauses (ii) and (iii), such as could not have or reasonably be expected to result in a Material Adverse Effect.

(e) Filings, Consents and Approvals. The Company is not required to obtain any consent, waiver, authorization or order of, give any notice to, or make any filing or registration with, any court or other federal, state, local or other governmental authority or other Person in connection with the execution, delivery and performance by the Company of the Transaction Documents, other than: (i) the filings required pursuant to Section 4.4 of this Agreement, (ii) the filing with the Commission of the Registration Statement pursuant to Section 4.16 of this Agreement, (iii) application(s) to each applicable Trading Market for the listing of the Shares and Warrant Shares for trading thereon in the time and manner required thereby, and (iv) the filing of Form D with the Commission and such filings as are required to be made under applicable state securities laws (collectively, the "Required Approvals").

(f) Issuance of the Securities; Registration. The Securities are duly authorized and, when issued and paid for in accordance with the applicable Transaction Documents, will be duly and validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company. The Warrant Shares, when issued in accordance with the terms of the applicable Warrants, will be validly issued, fully paid and nonassessable, free and clear of all Liens imposed by the Company. The Company has reserved from its duly authorized capital shares the maximum number of shares of Common Stock issuable pursuant to this Agreement and the Warrants.

(g) Capitalization. The capitalization of the Company as of the date hereof is as set forth on Schedule 3.1(g), which Schedule 3.1(g) shall also include the number of shares of Common Stock owned beneficially, and of record, by Affiliates of the Company as of the date hereof. The Company has not issued any capital shares since its most recently filed periodic report under the Exchange Act, other than pursuant to the exercise of employee share options under the Company's share option plans, the issuance of shares of Common Stock to employees, consultants and directors pursuant to the Company's equity incentive plans and pursuant to the conversion and/or exercise of Common Stock Equivalents outstanding as of the date of the most recently filed periodic report under the Exchange Act. Except as a result of the purchase and sale of the Securities and as set forth in the SEC Reports or on Schedule 3.1(g), there are no outstanding options, warrants, scrip rights to subscribe to, calls or commitments of any character whatsoever relating to, or securities, rights or obligations convertible into or exercisable or exchangeable for, or giving any Person any right to subscribe for or acquire, any shares of Common Stock or the capital share of any Subsidiary, or contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to issue additional shares of Common Stock or Common Stock Equivalents or capital shares of any Subsidiary. Except as set forth on Schedule 3.1(g), the issuance and sale of the Securities will not obligate the Company or any Subsidiary to issue shares of Common Stock or other securities to any Person (other than the Purchasers and the Placement Agent) and will not result in a right of any holder of Company securities to adjust the exercise, conversion, exchange or reset price under any of such securities. Except as set forth on Schedule 3.1(g), there are no outstanding securities or instruments of the Company or any Subsidiary with any provision that adjusts the exercise, conversion, exchange or reset price of such security or instrument upon an issuance of securities by the Company or any Subsidiary. Except as set forth on Schedule 3.1(g), there are no outstanding securities or instruments of the Company or any Subsidiary that contain any redemption or similar provisions, and there are no contracts, commitments, understandings or arrangements by which the Company or any Subsidiary is or may become bound to redeem a security of the Company or such Subsidiary. The Company does not have any share appreciation rights or "phantom stock" plans or agreements or any similar plan or agreement. All of the outstanding capital shares of the Company are duly authorized, validly issued, fully paid and nonassessable, have been issued in compliance with all applicable federal and state securities laws, and none of such outstanding shares was issued in violation of any preemptive rights or similar rights to subscribe for or purchase securities. Except for the Required Approvals, no further approval or authorization of any shareholder, the Board of Directors or others is required for the issuance and sale of the Securities. There are no shareholders agreements, voting agreements or other similar agreements with respect to the Company's capital shares to which the Company is a party or, to the knowledge of the Company, between or among any of the Company's shareholders.

(h) SEC Reports; Financial Statements. Except as disclosed in the SEC Reports, the Company has filed all reports, schedules, forms, statements and other documents required to be filed by the Company under the Securities Act and Exchange Act, including pursuant to Section 13(a) or 15(d) thereof, for the two years preceding the date hereof (or such shorter period as the Company was required by law or regulation to file such material) (the foregoing materials, including the exhibits thereto and documents incorporated by reference therein, together with the Company's Registration Statement on Form S-4 (Registration No. 333-261048), as amended and supplemented as of the date hereof, being collectively referred to herein as the "SEC Reports") on a timely basis or has received a valid extension of such time of filing and has filed any such SEC Reports prior to the expiration of any such extension. As of their respective dates, the SEC Reports complied in all material respects with the requirements of the Securities Act and the Exchange Act, as applicable, and none of the SEC Reports, when filed, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading. The Company has never been an issuer subject to Rule 144(i) under the Securities Act. The financial statements of the Company included in the SEC Reports complied in all material respects with applicable accounting requirements and the rules and regulations of the Commission with respect thereto as in effect at the time of filing. Such financial statements have been prepared in accordance with U.S. generally accepted accounting principles applied on a consistent basis during the periods involved ("GAAP"), except as may be otherwise specified in such financial statements or the notes thereto and except that unaudited financial statements may not contain all footnotes required by GAAP, and fairly present in all material respects the financial position of the Company and its consolidated Subsidiaries as of and for the dates thereof and the results of operations and cash flows for the periods then ended, subject, in the case of unaudited statements, to normal, immaterial, year-end audit adjustments.

(i) Material Changes; Undisclosed Events, Liabilities or Developments. Since the date of the latest audited financial statements included within the SEC Reports, except as set forth in the SEC Reports or on Schedule 3.1(i), (i) there has been no event, occurrence or development that has had or that could reasonably be expected to result in a Material Adverse Effect, (ii) the Company has not incurred any material liabilities (contingent or otherwise) other than (A) trade payables and accrued expenses incurred in the ordinary course of business consistent with past practice and (B) liabilities not required to be reflected in the Company's financial statements pursuant to GAAP or disclosed in filings made with the Commission, (iii) the Company has not altered its method of accounting, (iv) the Company has not declared or made any dividend or distribution of cash or other property to its shareholders or purchased, redeemed or made any agreements to purchase or redeem any shares of its capital shares and (v) the Company has not issued any equity securities to any officer, director or Affiliate, except pursuant to a Company equity compensation or shares option plans. The Company does not have pending before the Commission any request for confidential treatment of information. Except for the issuance of the Securities contemplated by this Agreement or as set forth on Schedule 3.1(i), no event, liability, fact, circumstance, occurrence or development has occurred or exists or is reasonably expected to occur or exist with respect to the Company or its Subsidiaries or their respective businesses, prospects, properties, operations, assets or financial condition that would be required to be disclosed by the Company under applicable securities laws at the time this representation is made or deemed made that has not been publicly disclosed at least one (1) Trading Day prior to the date that this representation is made.

(j) Litigation. Except as reported in the SEC Reports, there is no material action, suit, inquiry, notice of violation, proceeding or investigation pending or, to the knowledge of the Company, threatened against or affecting the Company, any Subsidiary or any of their respective properties before or by any court, arbitrator, governmental or administrative agency or regulatory authority (federal, state, county, local or foreign) (collectively, an "Action"). None of the Actions set forth in the SEC Reports (i) adversely affects or challenges the legality, validity or enforceability of any of the Transaction Documents or the Securities or (ii) could, if there were an unfavorable decision, have or reasonably be expected to result in a Material Adverse Effect. Neither the Company nor any Subsidiary, nor, to the Company's knowledge, any director or officer thereof, is or has been the subject of any Action involving a claim of violation of or liability under federal or state securities laws or a claim of breach of fiduciary duty, which could result in a Material Adverse Effect. There has not been, and to the knowledge of the Company, there is not pending or contemplated, any investigation by the Commission involving the Company or any current or former director or officer of the Company. The Commission has not issued any stop order or other order suspending the effectiveness of any registration statement filed by the Company or any Subsidiary under the Exchange Act or the Securities Act.

(k) Labor Relations. No labor dispute exists or, to the knowledge of the Company, is imminent with respect to any of the employees of the Company, which could reasonably be expected to result in a Material Adverse Effect. None of the Company's or its Subsidiaries' employees is a member of a union that relates to such employee's relationship with the Company or such Subsidiary, and neither the Company nor any of its Subsidiaries is a party to a collective bargaining agreement, and the Company and its Subsidiaries believe that their relationships with their employees are good. To the knowledge of the Company, no executive officer of the Company or any Subsidiary, is, or is now expected to be, in violation of any material term of any employment contract, confidentiality, disclosure or proprietary information agreement or non-competition agreement, or any other contract or agreement or any restrictive covenant in favor of any third party, and the continued employment of each such executive officer does not subject the Company or any of its Subsidiaries to any liability with respect to any of the foregoing matters. The Company and its Subsidiaries are in compliance with all applicable U.S. federal, state, local and foreign laws and regulations relating to employment and employment practices, terms and conditions of employment and wages and hours, except where the failure to be in compliance could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(l) Environmental Laws. The Company and its Subsidiaries (i) are in compliance with all applicable federal, state, local and foreign laws relating to pollution or protection of human health or the environment (including ambient air, surface water, groundwater, land surface or subsurface strata), including laws relating to emissions, discharges, releases or threatened releases of chemicals, pollutants, contaminants, or toxic or hazardous substances or wastes (collectively, "Hazardous Materials") into the environment, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of Hazardous Materials, as well as all authorizations, codes, decrees, demands, or demand letters, injunctions, judgments, licenses, notices or notice letters, orders, permits, plans or regulations, issued, entered, promulgated or approved thereunder ("Environmental Laws"); (ii) have received all permits licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses; and (iii) are in compliance with all terms and conditions of any such permit, license or approval where in each clause (i), (ii) and (iii), the failure to so comply could be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

(m) Compliance. Except as set forth on Schedule 3.1(m), neither the Company nor any Subsidiary: (i) is in default under or in violation of (and no event has occurred that has not been waived that, with notice or lapse of time or both, would result in a default by the Company or any Subsidiary under), nor has the Company or any Subsidiary received notice of a claim that it is in default under or that it is in violation of, any indenture, loan or credit agreement or any other agreement or instrument to which it is a party or by which it or any of its properties is bound (whether or not such default or violation has been waived), (ii) is in violation of any judgment, decree or order of any court, arbitrator or other governmental authority or (iii) is or has been in violation of any statute, rule, ordinance or regulation of any governmental authority, including without limitation all foreign, federal, state and local laws relating to taxes, environmental protection, occupational health and safety, product quality and safety and employment and labor matters, except in each case as could not have or reasonably be expected to result in a Material Adverse Effect.

(n) Regulatory Permits. The Company and the Subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses as described in the SEC Reports, except where the failure to possess such permits could not reasonably be expected to result in a Material Adverse Effect ("Material Permits"), and neither the Company nor any Subsidiary has received any notice of proceedings relating to the revocation or modification of any Material Permit.

(o) Title to Assets. The Company and the Subsidiaries have good and marketable title in fee simple to all real property owned by them and good and marketable title in all personal property owned by them that is material to the business of the Company and the Subsidiaries, in each case free and clear of all Liens, except for (i) Liens as do not materially affect the value of such property and do not materially interfere with the use made and proposed to be made of such property by the Company and the Subsidiaries, and (ii) Liens for the payment of federal, state or other taxes, for which appropriate reserves have been made therefor in accordance with GAAP and, the payment of which is neither delinquent nor subject to penalties. Any real property and facilities held under lease by the Company and the Subsidiaries are held by them under valid, subsisting and enforceable leases with which the Company and the Subsidiaries are in compliance, except where the failure to be in compliance would not reasonably be expected to have a Material Adverse Effect.

(p) Intellectual Property. The Company and the Subsidiaries have, or have rights to use, all patents, patent applications, trademarks, trademark applications, service marks, trade names, trade secrets, inventions, copyrights, licenses and other intellectual property rights and similar rights necessary or required for use in connection with their respective businesses as described in the SEC Reports and which the failure to so have could have a Material Adverse Effect (collectively, the "Intellectual Property Rights"). Except as set forth in the SEC Reports, none of, and neither the Company nor any Subsidiary has received a notice (written or otherwise) that any of, the Intellectual Property Rights has expired, terminated or been abandoned, or is expected to expire or terminate or be abandoned, within two (2) years from the date of this Agreement. Neither the Company nor any Subsidiary has received, since the date of the latest audited financial statements included within the SEC Reports, a written notice of a claim or otherwise has any knowledge that the Intellectual Property Rights violate or infringe upon the rights of any Person, except as could not have or reasonably be expected to not have a Material Adverse Effect. To the knowledge of the Company, all such Intellectual Property Rights are enforceable and there is no existing infringement by another Person of any of the Intellectual Property Rights. The Company and its Subsidiaries have taken reasonable security measures to protect the secrecy, confidentiality and value of all of their intellectual properties, except where failure to do so could not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. The Company has no knowledge of any facts that would preclude it from having valid license rights or clear title to the Intellectual Property Rights. The Company has no knowledge that it lacks or will be unable to obtain any rights or licenses to use all Intellectual Property Rights that are necessary to conduct its business.

(q) Insurance. The Company and the Subsidiaries are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are prudent and customary for companies of the Company's size and in the businesses in which the Company and the Subsidiaries are engaged, including, but not limited to, directors and officers insurance coverage at least equal to $5 million in the aggregate. Neither the Company nor any Subsidiary has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business without a significant increase in cost.

(r) Transactions With Affiliates and Employees. Except as set forth in the SEC Reports, none of the officers or directors of the Company or any Subsidiary and, to the knowledge of the Company, none of the employees of the Company or any Subsidiary is presently a party to any transaction with the Company or any Subsidiary (other than for services as employees, officers and directors), including any contract, agreement or other arrangement providing for the furnishing of services to or by, providing for rental of real or personal property to or from, providing for the borrowing of money from or lending of money to or otherwise requiring payments to or from any officer, director or such employee or, to the knowledge of the Company, any entity in which any officer, director, or any such employee has a substantial interest or is an officer, director, trustee, shareholder, member or partner, in each case in excess of $120,000 other than for (i) payment of salary or consulting fees for services rendered, (ii) reimbursement for expenses incurred on behalf of the Company and (iii) other employee benefits, including share option agreements under any share option plan of the Company.

(s) Sarbanes-Oxley; Internal Accounting Controls. The Company and the Subsidiaries are in compliance with any and all applicable requirements of the Sarbanes-Oxley Act of 2002 that are effective as of the date hereof, and any and all applicable rules and regulations promulgated by the Commission thereunder that are effective as of the date hereof and as of the Closing Date. The Company and the Subsidiaries maintain a system of internal accounting controls sufficient to provide reasonable assurance that: (i) transactions are executed in accordance with management's general or specific authorizations, (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with GAAP and to maintain asset accountability, (iii) access to assets is permitted only in accordance with management's general or specific authorization, and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. The Company and the Subsidiaries have established disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Company and the Subsidiaries and designed such disclosure controls and procedures to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Commission's rules and forms. The Company's certifying officers have evaluated the effectiveness of the disclosure controls and procedures of the Company and the Subsidiaries as of the end of the period covered by the most recently filed periodic report under the Exchange Act (such date, the "Evaluation Date"). The Company presented in its most recently filed periodic report under the Exchange Act the conclusions of the certifying officers about the effectiveness of the disclosure controls and procedures based on their evaluations as of the Evaluation Date. Since the Evaluation Date, there have been no changes in the internal control over financial reporting (as such term is defined in the Exchange Act) of the Company and its Subsidiaries that have materially affected, or is reasonably likely to materially affect, the internal control over financial reporting of the Company and its Subsidiaries.

(t) Certain Fees. Except as set forth on Schedule 3.1(t), no brokerage or finder's fees or commissions are or will be payable by the Company or any Subsidiary to any broker, financial advisor or consultant, finder, placement agent, investment banker, bank or other Person with respect to the transactions contemplated by the Transaction Documents. The Purchasers shall have no obligation with respect to any fees or with respect to any claims made by or on behalf of other Persons for fees of a type contemplated in this Section that may be due in connection with the transactions contemplated by the Transaction Documents.

(u) Investment Company. The Company is not, and is not an Affiliate of, and immediately after receipt of payment for the Securities, will not be or be an Affiliate of, an "investment company" within the meaning of the Investment Company Act of 1940, as amended. The Company shall conduct its business in a manner so that it will not become an "investment company" subject to registration under the Investment Company Act of 1940, as amended.

(v) Registration Rights. Except as set forth on Schedule 3.1(v), no Person has any right to cause the Company or any Subsidiary to effect the registration under the Securities Act of any securities of the Company or any Subsidiary.

(w) Listing and Maintenance Requirements. The shares of Common Stock are registered pursuant to Section 12(b) or 12(g) of the Exchange Act, and the Company has taken no action designed to, or which to its knowledge is likely to have the effect of, terminating the registration of the shares of Common Stock under the Exchange Act nor has the Company received any notification that the Commission is contemplating terminating such registration. Except as set forth in the SEC Reports or on Schedule 3.1(w), the Company has not, in the 12 months preceding the date hereof, received notice from any Trading Market on which the Common Stock are or has been listed or quoted to the effect that the Company is not in compliance with the listing or maintenance requirements of such Trading Market. The Company is, and has no reason to believe that it will not in the foreseeable future continue to be, in compliance with all such listing and maintenance requirements. The Common Stock are currently eligible for electronic transfer through the Depository Trust Company or another established clearing corporation and the Company is current in payment of the fees to the Depository Trust Company (or such other established clearing corporation) in connection with such electronic transfer.

(x) Application of Takeover Protections. Except as provided in the SEC Reports, the Company and the Board of Directors have taken all necessary action, if any, in order to render inapplicable any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or other similar anti-takeover provision under the Company's articles of incorporation (or similar charter documents) or the laws of its state of incorporation that is or could become applicable to the Purchasers as a result of the Purchasers and the Company fulfilling their respective obligations or exercising their respective rights under the Transaction Documents, including without limitation, as a result of the Company's issuance of the Securities and the Purchasers' ownership of the Securities.

(y) Disclosure. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, the Company confirms that neither it nor any other Person acting on its behalf has provided the Purchasers or their agents or counsel with any information that it believes constitutes or might constitute material, non-public information which is not otherwise disclosed in the SEC Reports. The Company understands and confirms that the Purchasers will rely on the foregoing representation in effecting transactions in securities of the Company. All of the disclosure furnished by or on behalf of the Company to the Purchasers regarding the Company and its Subsidiaries, their respective businesses and the transactions contemplated hereby, including the Disclosure Schedules to this Agreement, is true and correct and does not contain any untrue statement of a material fact or omit to state any material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. The press releases disseminated by the Company during the twelve months preceding the date of this Agreement taken as a whole do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made and when made, not misleading. The Company acknowledges and agrees that no Purchaser makes or has made any representations or warranties with respect to the transactions contemplated hereby other than those specifically set forth in Section 3.2 hereof.

(z) No Integrated Offering. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, neither the Company, nor any of its Affiliates, nor any Person acting on its or their behalf has, directly or indirectly, made any offers or sales of any security or solicited any offers to buy any security, under circumstances that would cause this offering of the Securities to be integrated with prior offerings by the Company for purposes of (i) the Securities Act which would require the registration of the Shares, Warrants or Warrant Shares under the Securities Act, or (ii) any applicable shareholder approval provisions of any Trading Market on which any of the securities of the Company are listed or designated, which, if integrated, will not be obtained.

(aa) Solvency. The SEC Reports set forth as of the date hereof all outstanding secured and unsecured Indebtedness of the Company or any Subsidiary (excluding any unpaid interest thereon accrued since the Evaluation Date), or for which the Company or any Subsidiary has commitments. For the purposes of this Agreement, "Indebtedness" means (x) any liabilities for borrowed money or amounts owed in excess of $50,000 (other than trade accounts payable incurred in the ordinary course of business), (y) all guaranties, endorsements and other contingent obligations in respect of indebtedness of others, whether or not the same are or should be reflected in the Company's consolidated balance sheet (or the notes thereto), except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business; and (z) the present value of any lease payments in excess of $50,000 due under leases required to be capitalized in accordance with GAAP.

(bb) Tax Status. Except for matters that would not, individually or in the aggregate, have or reasonably be expected to result in a Material Adverse Effect, the Company and its Subsidiaries each (i) has made or filed all United States federal, state and local income and all foreign income and franchise tax returns, reports and declarations required by any jurisdiction to which it is subject, (ii) has paid all taxes and other governmental assessments and charges that are material in amount, shown or determined to be due on such returns, reports and declarations and (iii) has set aside on its books provision reasonably adequate for the payment of all material taxes for periods subsequent to the periods to which such returns, reports or declarations apply. Except as set forth on Schedule 3(bb), there are no unpaid taxes in any material amount claimed to be due by the taxing authority of any jurisdiction, and the officers of the Company or of any Subsidiary know of no basis for any such claim.

(cc) Foreign Corrupt Practices. Neither the Company nor any Subsidiary, nor to the knowledge of the Company or any Subsidiary, any agent or other person acting on behalf of the Company or any Subsidiary, has (i) directly or indirectly, used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses related to foreign or domestic political activity, (ii) made any unlawful payment to foreign or domestic government officials or employees or to any foreign or domestic political parties or campaigns from corporate funds, (iii) failed to disclose fully any contribution made by the Company or any Subsidiary (or made by any person acting on its behalf of which the Company is aware) which is in violation of law, or (iv) violated in any material respect any provision of FCPA.

(dd) Accountants. The Company's independent registered public accounting firm is set forth in the SEC Reports. To the knowledge and belief of the Company, such accounting firm (i) is a registered public accounting firm as required by the Exchange Act and (ii) shall express its opinion with respect to the financial statements to be included in the Company's Annual Reports on Form 10-K for the fiscal year ending December 31, 2021.

(ee) Acknowledgment Regarding Purchaser's Purchase of Securities. The Company acknowledges and agrees that each Purchaser is acting solely in the capacity of an arm's length purchaser with respect to the Transaction Documents and the transactions contemplated thereby. The Company further acknowledges that no Purchaser is acting as a financial advisor or fiduciary of the Company (or in any similar capacity) with respect to the Transaction Documents and the transactions contemplated thereby and any advice given by any Purchaser or any of their respective representatives or agents in connection with the Transaction Documents and the transactions contemplated thereby is merely incidental to the Purchasers' purchase of the Securities. The Company further represents to each Purchaser that the Company's decision to enter into this Agreement and the other Transaction Documents has been based solely on the independent evaluation of the transactions contemplated hereby by the Company and its representatives.

(ff) Acknowledgment Regarding Purchaser's Trading Activity. Anything in this Agreement or elsewhere herein to the contrary notwithstanding (except for Sections 3.2(e) and 4.14 hereof), it is understood and acknowledged by the Company that: (i) none of the Purchasers has been asked by the Company to agree, nor has any Purchaser agreed, to desist from purchasing or selling, long and/or short, securities of the Company, or "derivative" securities based on securities issued by the Company or to hold the Securities for any specified term; (ii) past or future open market or other transactions by any Purchaser, specifically including, without limitation, Short Sales or "derivative" transactions, before or after the closing of this or future private placement transactions, may negatively impact the market price of the Company's publicly-traded securities; (iii) any Purchaser, and counter-parties in "derivative" transactions to which any such Purchaser is a party, directly or indirectly, presently may have a "short" position in the shares of Common Stock, and (iv) each Purchaser shall not be deemed to have any affiliation with or control over any arm's length counter-party in any "derivative" transaction. The Company further understands and acknowledges that (y) one or more Purchasers may engage in hedging activities (in material compliance with applicable laws) at various times during the period that the Securities are outstanding, including, without limitation, during the periods that the value of the Warrant Shares deliverable with respect to Securities are being determined, and (z) such hedging activities (if any) could reduce the value of the existing shareholders' equity interests in the Company at and after the time that the hedging activities are being conducted. The Company acknowledges that such aforementioned hedging activities do not constitute a breach of any of the Transaction Documents.

(gg) Regulation M Compliance. The Company has not, and to its knowledge no one acting on its behalf has, (i) taken, directly or indirectly, any action designed to cause or to result in the stabilization or manipulation of the price of any security of the Company to facilitate the sale or resale of any of the Securities, (ii) sold, bid for, purchased, or, paid any compensation for soliciting purchases of, any of the Securities, or (iii) paid or agreed to pay to any Person any compensation for soliciting another to purchase any other securities of the Company, other than, in the case of clauses (ii) and (iii), compensation paid to the Placement Agent in connection with the placement of the Securities.

(hh) Cybersecurity. (i)(x) There has been no security breach or other compromise of or relating to any of the Company's or any Subsidiary's information technology and computer systems, networks, hardware, software, data (including the data of its respective customers, employees, suppliers, vendors and any third party data maintained by or on behalf of it), equipment or technology (collectively, "IT Systems and Data") and (y) the Company and the Subsidiaries have not been notified of, and has no knowledge of any event or condition that would reasonably be expected to result in, any security breach or other compromise to its IT Systems and Data; (ii) the Company and the Subsidiaries are presently in compliance with all applicable laws or statutes and all judgments, orders, rules and regulations of any court or arbitrator or governmental or regulatory authority, internal policies and contractual obligations relating to the privacy and security of IT Systems and Data and to the protection of such IT Systems and Data from unauthorized use, access, misappropriation or modification, except as would not, individually or in the aggregate, have a Material Adverse Effect; (iii) the Company and the Subsidiaries have implemented and maintained commercially reasonable safeguards to maintain and protect its material confidential information and the integrity, continuous operation, redundancy and security of all IT Systems and Data; and (iv) the Company and the Subsidiaries have implemented backup and disaster recovery technology consistent with industry standards and practices.

(ii) Share Option Plans. Each share option granted by the Company under the Company's share option plans was granted (i) in accordance with the terms of the Company's share option plans and (ii) with an exercise price at least equal to the fair market value of the shares of Common Stock on the date such share option would be considered granted under GAAP and applicable law. No share option granted under the Company's share option plans has been backdated. The Company has not knowingly granted, and there is no and has been no Company policy or practice to knowingly grant, share options prior to, or otherwise knowingly coordinate the grant of share options with, the release or other public announcement of material information regarding the Company or its Subsidiaries or their financial results or prospects.

(jj) Office of Foreign Assets Control. Neither the Company nor any Subsidiary nor, to the Company's knowledge, any director, officer, agent, employee or affiliate of the Company or any Subsidiary is currently subject to any U.S. sanctions administered by the Office of Foreign Assets Control of the U.S. Treasury Department ("OFAC").

(kk) U.S. Real Property Holding Corporation. The Company is not and has never been a U.S. real property holding corporation within the meaning of Section 897 of the Internal Revenue Code of 1986, as amended, and the Company shall so certify upon Purchaser's request.

(ll) Bank Holding Company Act. Neither the Company nor any of its Subsidiaries or Affiliates is subject to the Bank Holding Company Act of 1956, as amended (the "BHCA") and to regulation by the Board of Governors of the Federal Reserve System (the "Federal Reserve"). Neither the Company nor any of its Subsidiaries or Affiliates owns or controls, directly or indirectly, five percent (5%) or more of the outstanding shares of any class of voting securities or twenty-five percent or more of the total equity of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve. Neither the Company nor any of its Subsidiaries or Affiliates exercises a controlling influence over the management or policies of a bank or any entity that is subject to the BHCA and to regulation by the Federal Reserve.

(mm) Money Laundering. The operations of the Company and its Subsidiaries are and have been conducted at all times in compliance with applicable financial record-keeping and reporting requirements of the Currency and Foreign Transactions Reporting Act of 1970, as amended, applicable money laundering statutes and applicable rules and regulations thereunder (collectively, the "Money Laundering Laws"), and no Action or Proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any Subsidiary with respect to the Money Laundering Laws is pending or, to the knowledge of the Company or any Subsidiary, threatened.

(nn) Other Covered Persons. Other than the Placement Agent, the Company is not aware of any person (other than any Issuer Covered Person) that has been or will be paid (directly or indirectly) remuneration for solicitation of the Purchasers in connection with the sale of any Securities.

(oo) Private Placement. Assuming the accuracy of the Purchasers' representations and warranties set forth in Section 3.2, no registration under the Securities Act is required for the offer and sale of the Shares or Warrants by the Company to the Purchasers as contemplated hereby.

(pp) No General Solicitation. Neither the Company nor any Person acting on behalf of the Company has offered or sold any of the Securities by any form of general solicitation or general advertising. The Company has offered the Securities for sale only to each Purchaser as an "accredited investor" within the meaning of Rule 501 under the Securities Act.

(qq) No Disqualification Events. With respect to the Securities to be offered and sold hereunder in reliance on Rule 506 under the Securities Act, none of the Company, any of its predecessors, any affiliated issuer, any director, executive officer, other officer of the Company participating in the offering hereunder, any beneficial owner of 20% or more of the Company's outstanding voting equity securities, calculated on the basis of voting power, nor any promoter (as that term is defined in Rule 405 under the Securities Act) connected with the Company in any capacity at the time of sale (each, an "Issuer Covered Person") is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act (a "Disqualification Event"), except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3). The Company has exercised reasonable care to determine whether any Issuer Covered Person is subject to a Disqualification Event. The Company has complied, to the extent applicable, with its disclosure obligations under Rule 506(e), and has furnished to each Purchaser a copy of any disclosures provided thereunder.

(rr) Notice of Disqualification Events. The Company will notify the Purchasers in writing, prior to the Closing Date of (i) any Disqualification Event relating to any Issuer Covered Person and (ii) any event that would, with the passage of time, reasonably be expected to become a Disqualification Event relating to any Issuer Covered Person, in each case of which it is aware.

3.2 Representations and Warranties of the Purchasers. Each Purchaser, for itself and for no other Purchaser, hereby represents and warrants as of the date hereof and as of the Closing Date to the Company as follows (unless as of a specific date therein, in which case such representation or warranty shall be accurate as of such date):

(a) Organization; Authority. Such Purchaser is either an individual or an entity duly incorporated or formed, validly existing and in good standing under the laws of the jurisdiction of its incorporation or formation with full right, corporate, partnership, limited liability company or similar power and authority to enter into and to consummate the transactions contemplated by the Transaction Documents and otherwise to carry out its obligations hereunder and thereunder. The execution and delivery of the Transaction Documents and performance by such Purchaser of the transactions contemplated by the Transaction Documents have been duly authorized by all necessary corporate, partnership, limited liability company or similar action, as applicable, on the part of such Purchaser. Each Transaction Document to which it is a party has been duly executed by such Purchaser, and when delivered by such Purchaser in accordance with the terms hereof, will constitute the valid and legally binding obligation of such Purchaser, enforceable against it in accordance with its terms, except: (i) as limited by general equitable principles and applicable bankruptcy, insolvency, reorganization, moratorium and other laws of general application affecting enforcement of creditors' rights generally, (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies and (iii) insofar as indemnification and contribution provisions may be limited by applicable law.

(b) Understandings or Arrangements. Such Purchaser is acquiring the Securities as principal for its own account and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities (this representation and warranty not limiting such Purchaser's right to sell the Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws). Such Purchaser understands that the Shares, Warrants and the Warrant Shares are "restricted securities" and have not been registered under the Securities Act or any applicable state securities law and is acquiring the Securities hereunder in the ordinary course of its business. Such Purchaser is acquiring such Securities as principal for his, her or its own account and not with a view to or for distributing or reselling such Securities or any part thereof in violation of the Securities Act or any applicable state securities law, has no present intention of distributing any of such Securities in violation of the Securities Act or any applicable state securities law and has no direct or indirect arrangement or understandings with any other persons to distribute or regarding the distribution of such Securities in violation of the Securities Act or any applicable state securities law (this representation and warranty not limiting such Purchaser's right to sell such Securities pursuant to the Registration Statement or otherwise in compliance with applicable federal and state securities laws).

(c) Purchaser Status. At the time such Purchaser was offered the Securities, it was, and as of the date hereof it is, and on each date on which it exercises any Warrants, it will be either: (i) an "accredited investor" as defined in Rule 501(a)(1), (a)(2), (a)(3), (a)(7), (a)(8), (a)(9), (a)(12) or (a)(13) under the Securities Act or (ii) a "qualified institutional buyer" as defined in Rule 144A(a) under the Securities Act.

(d) Experience of Such Purchaser. Such Purchaser, either alone or together with its representatives, has such knowledge, sophistication and experience in business and financial matters so as to be capable of evaluating the merits and risks of the prospective investment in the Securities, and has so evaluated the merits and risks of such investment. Such Purchaser is able to bear the economic risk of an investment in the Securities and, at the present time, is able to afford a complete loss of such investment.

(e) Access to Information. Such Purchaser acknowledges that it has had the opportunity to review the Transaction Documents (including all exhibits and schedules thereto) and the SEC Reports and has been afforded, (i) the opportunity to ask such questions as it has deemed necessary of, and to receive answers from, representatives of the Company concerning the terms and conditions of the offering of the Securities and the merits and risks of investing in the Securities; (ii) access to information about the Company and its financial condition, results of operations, business, properties, management and prospects sufficient to enable it to evaluate its investment; and (iii) the opportunity to obtain such additional information that the Company possesses or can acquire without unreasonable effort or expense that is necessary to make an informed investment decision with respect to the investment. Such Purchaser acknowledges and agrees that neither the Placement Agent nor any Affiliate of the Placement Agent has provided such Purchaser with any information or advice with respect to the Securities nor is such information or advice necessary or desired. Neither the Placement Agent nor any Affiliate has made or makes any representation as to the Company or the quality of the Securities and the Placement Agent and any Affiliate may have acquired non-public information with respect to the Company which such Purchaser agrees need not be provided to it. In connection with the issuance of the Securities to such Purchaser, neither the Placement Agent nor any of its Affiliates has acted as a financial advisor or fiduciary to such Purchaser.

(f) Certain Transactions and Confidentiality. Other than consummating the transactions contemplated hereunder, such Purchaser has not, nor has any Person acting on behalf of or pursuant to any understanding with such Purchaser, directly or indirectly executed any purchases or sales, including Short Sales, of the securities of the Company during the period commencing as of the time that such Purchaser first received a term sheet (written or oral) from the Company or any other Person representing the Company setting forth the material terms of the transactions contemplated hereunder and ending immediately prior to the execution hereof. Notwithstanding the foregoing, in the case of a Purchaser is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the representation set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement. Other than to other Persons party to this Agreement or to such Purchaser's representatives, including, without limitation, its officers, directors, partners, legal and other advisors, employees, agents and Affiliates, such Purchaser has maintained the confidentiality of all disclosures made to it in connection with this transaction (including the existence and terms of this transaction). Notwithstanding the foregoing, for the avoidance of doubt, nothing contained herein shall constitute a representation or warranty against, or a prohibition of, any actions with respect to the borrowing of, arrangement to borrow, identification of the availability of, and/or securing of, securities of the Company in order for such Purchaser (or its broker or other financial representative) to effect Short Sales or similar transactions in the future.

(g) General Solicitation. Such Purchaser is not purchasing the Securities as a result of any advertisement, article, notice or other communication regarding the Securities published in any newspaper, magazine or similar media or broadcast over television or radio or presented at any seminar or, to the knowledge of such Purchaser, any other general solicitation or general advertisement.

(h) No Disqualification Events. With respect to the Securities to be offered and sold hereunder in reliance on Rule 506 under the Securities Act, such Purchaser at the time of sale is subject to any of the "Bad Actor" disqualifications described in Rule 506(d)(1)(i) to (viii) under the Securities Act, except for a Disqualification Event covered by Rule 506(d)(2) or (d)(3).

The Company acknowledges and agrees that the representations contained in this Section 3.2 shall not modify, amend or affect such Purchaser's right to rely on the Company's representations and warranties contained in this Agreement or any representations and warranties contained in any other Transaction Document or any other document or instrument executed and/or delivered in connection with this Agreement or the consummation of the transactions contemplated hereby. Notwithstanding the foregoing, for the avoidance of doubt, nothing contained herein shall constitute a representation or warranty, or preclude any actions, with respect to locating or borrowing shares in order to effect Short Sales or similar transactions in the future.

ARTICLE IV.
OTHER AGREEMENTS OF THE PARTIES

4.1 Removal of Legends.

(a) The Shares, Common Warrants, Pre-Funded Warrants, Common Warrant Shares and Pre-Funded Warrant Shares may only be disposed of in compliance with state and federal securities laws. In connection with any transfer of any such Securities other than pursuant to an effective registration statement or Rule 144, to the Company or to an Affiliate of a Purchaser or in connection with a pledge as contemplated in Section 4.1(b), the Company may require the transferor thereof to provide to the Company an opinion of counsel selected by the transferor and reasonably acceptable to the Company, the form and substance of which opinion shall be reasonably satisfactory to the Company, to the effect that such transfer does not require registration of such transferred Securities under the Securities Act. As a condition of transfer, any such transferee shall agree in writing to be bound by the terms of this Agreement and the Registration Rights Agreement and shall have the rights and obligations of a Purchaser under this Agreement and the Registration Rights Agreement.

(b) The Purchasers agrees to the imprinting, so long as is required by this Section 4.1, of a legend on each of the Shares, Common Warrants, Pre-Funded Warrants, Common Warrant Shares and Pre-Funded Warrant Shares in substantially the following form:

[NEITHER] THIS SECURITY [NOR THE SECURITIES INTO WHICH THIS SECURITY IS EXERCISABLE] [HAS NOT] [HAVE] BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION OR THE SECURITIES COMMISSION OF ANY STATE IN RELIANCE UPON AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND, ACCORDINGLY, MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT OR PURSUANT TO AN AVAILABLE EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND IN ACCORDANCE WITH APPLICABLE STATE SECURITIES LAWS. THIS SECURITY [AND THE SECURITIES ISSUABLE UPON EXERCISE OF THIS SECURITY] MAY BE PLEDGED IN CONNECTION WITH A BONA FIDE MARGIN ACCOUNT WITH A REGISTERED BROKER-DEALER OR OTHER LOAN WITH A FINANCIAL INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a) UNDER THE SECURITIES ACT OR OTHER LOAN SECURED BY SUCH SECURITIES.

(c) The Company acknowledges and agrees that a Purchaser may from time to time pledge pursuant to a bona fide margin agreement with a registered broker-dealer or grant a security interest in some or all of the Securities to a financial institution that is an "accredited investor" as defined in Rule 501(a) under the Securities Act and who agrees to be bound by the provisions of this Agreement and, if required under the terms of such arrangement, such Purchaser may transfer pledged or secured any of the Securities to the pledgees or secured parties. Such a pledge or transfer would not be subject to approval of the Company and no legal opinion of legal counsel of the pledgee, secured party or pledgor shall be required in connection therewith. Further, no notice shall be required of such pledge. At the appropriate Purchaser's expense, the Company will execute and deliver such reasonable documentation as a pledgee or secured party of any of the Securities may reasonably request in connection with a pledge or transfer of such Securities, including, if the Securities are subject to registration pursuant to the Registration Rights Agreement, the preparation and filing of any required prospectus supplement under Rule 424(b)(3) under the Securities Act or other applicable provision of the Securities Act to appropriately amend the list of Selling Shareholders (as defined in the Registration Rights Agreement) thereunder.

(d) Certificates evidencing the Shares and Warrant Shares shall not contain any legend (including the legend set forth in Section 4.1(b) hereof): (i) while a registration statement covering the resale of such security is effective under the Securities Act, or (ii) following any sale of such Shares or Warrant Shares pursuant to Rule 144 (assuming cashless exercise of the Warrants), or (iii) if such Shares or Warrant Shares are eligible for sale under Rule 144 (assuming cashless exercise of the Warrants), or (iv) if such legend is not required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission), subject in the case of clauses (ii), (iii) and (iv) to receipt from the Purchaser by the Company and the Transfer Agent of customary representations reasonably acceptable to the Company and the Transfer Agent in connection with such request. The Company shall cause its counsel to issue a legal opinion to the Transfer Agent or a Purchaser promptly if required by the Transfer Agent to effect the removal of the legend hereunder, or if requested by such Purchaser, respectively. If all or any portion of a Warrant is exercised at a time when there is an effective registration statement to cover the resale of the Warrant Shares, if such Shares or Warrant Shares may be sold under Rule 144 (assuming cashless exercise of the Warrants) or if such legend is not otherwise required under applicable requirements of the Securities Act (including judicial interpretations and pronouncements issued by the staff of the Commission) then such Shares and Warrant Shares shall be issued free of all legends. The Company agrees that following such time as such legend is no longer required under this Section 4.1(c), the Company will, no later than the earlier of (i) two (2) Trading Days and (ii) the number of Trading Days comprising the Standard Settlement Period (as defined below) following the delivery by a Purchaser to the Company or the Transfer Agent of a certificate representing Warrant Shares, as applicable, issued with a restrictive legend (such date, the "Legend Removal Date"), deliver or cause to be delivered to such Purchaser a certificate (or account statement from the Transfer Agent) representing such shares that is free from all restrictive and other legends. The Company may not make any notation on its records or give instructions to the Transfer Agent that enlarge the restrictions on transfer set forth in this Section 4. Shares and Warrant Shares subject to legend removal hereunder shall be transmitted by the Transfer Agent to each applicable Purchaser by crediting the account of such Purchaser's prime broker with the Depository Trust Company System as directed by such Purchaser. As used herein, "Standard Settlement Period" means the standard settlement period, expressed in a number of Trading Days, on the Company's primary Trading Market with respect to the shares Common Stock as in effect on the date of delivery of a certificate representing Shares or Warrant Shares, as the case may be, issued with a restrictive legend.

(e) In addition to such Purchaser's other available remedies, the Company shall pay to a Purchaser, in cash, (i) as partial liquidated damages and not as a penalty, for each $1,000 of Shares or Warrant Shares (based on the VWAP of the shares of Common Stock on the date such Securities are submitted to the Transfer Agent) delivered for removal of the restrictive legend and subject to Section 4.1(c), $10 per Trading Day (increasing to $20 per Trading Day five (5) Trading Days after such damages have begun to accrue) for each Trading Day after the Legend Removal Date until such certificate is delivered without a legend and (ii) if the Company fails to (a) issue and deliver (or cause to be delivered) to a Purchaser by the Legend Removal Date a certificate representing the Securities so delivered to the Company by such Purchaser that is free from all restrictive and other legends and (b) if after the Legend Removal Date such Purchaser purchases (in an open market transaction or otherwise) shares of Common Stock to deliver in satisfaction of a sale by such Purchaser of all or any portion of the number of shares of Common Stock, or a sale of a number of shares of Common Stock equal to all or any portion of the number of shares of Common Stock, that such Purchaser anticipated receiving from the Company without any restrictive legend, then an amount equal to the excess of such Purchaser's total purchase price (including brokerage commissions and other out-of-pocket expenses, if any) for the shares of Common Stock so purchased (including brokerage commissions and other out-of-pocket expenses, if any) (the "Buy-In Price") over the product of (A) such number of Warrant Shares that the Company was required to deliver to such Purchaser by the Legend Removal Date multiplied by (B) the lowest closing sale price of the shares of Common Stock on any Trading Day during the period commencing on the date of the delivery by such Purchaser to the Company of the applicable Warrant Shares (as the case may be) and ending on the date of such delivery and payment under this Section 4.1(e).

4.2 Furnishing of Information.

(a) Until the earlier of the time that (i) the Purchasers no longer own any of the Securities or (ii) the Warrants have expired, the Company covenants to timely file (or obtain extensions in respect thereof and file within the applicable grace period) all reports required to be filed by the Company after the date hereof pursuant to the Exchange Act even if the Company is not then subject to the reporting requirements of the Exchange Act.

(b) At any time during the period commencing from the date hereof and ending at such time that all of the Warrant Shares (assuming cashless exercise) may be sold without the requirement for the Company to be in compliance with Rule 144(c)(1) and otherwise without restriction or limitation pursuant to Rule 144, if the Company (i) shall fail for any reason to satisfy the current public information requirement under Rule 144(c) or (ii) has ever been an issuer described in Rule 144(i)(1)(i) or becomes an issuer in the future, and the Company shall fail to satisfy any condition set forth in Rule 144(i)(2) (a "Public Information Failure") then, in addition to such Purchaser's other available remedies, the Company shall pay to a Purchaser, in cash, as partial liquidated damages and not as a penalty, by reason of any such delay in or reduction of its ability to sell the Shares or Warrant Shares, an amount in cash equal to two percent (2.0%) of the aggregate Subscription Amount with respect to the Shares or the exercise price of such Purchaser's Warrants on the day of a Public Information Failure and on every thirtieth (30th) day (pro rated for periods totaling less than thirty days) thereafter until the earlier of (a) the date such Public Information Failure is cured and (b) such time that such public information is no longer required for the Purchasers to transfer the Warrant Shares pursuant to Rule 144. The payments to which the Purchasers shall be entitled pursuant to this Section 4.2(b) are referred to herein as "Public Information Failure Payments." Public Information Failure Payments shall be paid on the earlier of (i) the last day of the calendar month during which such Public Information Failure Payments are incurred and (ii) the third (3rd) Business Day after the event or failure giving rise to the Public Information Failure Payments is cured. In the event the Company fails to make Public Information Failure Payments in a timely manner, such Public Information Failure Payments shall bear interest at the rate of 1.5% per month (prorated for partial months) until paid in full. Nothing herein shall limit such Purchaser's right to pursue actual damages for the Public Information Failure, and such Purchaser shall have the right to pursue all remedies available to it at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief.

4.3 Integration. The Company shall not sell, offer for sale or solicit offers to buy or otherwise negotiate in respect of any security (as defined in Section 2 of the Securities Act) that would be integrated with the offer or sale of the Securities in a manner that would require the registration under the Securities Act of the sale of the Securities or that would be integrated with the offer or sale of the Securities for purposes of the rules and regulations of any Trading Market such that it would require shareholder approval prior to the closing of such other transaction unless shareholder approval is obtained before the closing of such subsequent transaction.

4.4 Securities Laws Disclosure; Publicity. The Company shall (a) by the Disclosure Time issue a press release disclosing the material terms of the transactions contemplated hereby, and (b) file a Current Report on Form 8-K, including the Transaction Documents as exhibits thereto, with the Commission within the time required by the Exchange Act. From and after the issuance of such press release, the Company represents to the Purchasers, as of the Closing, that it shall have publicly disclosed all material, non-public information delivered to any of the Purchasers by the Company or any of its Subsidiaries, or any of their respective officers, directors, employees or agents in connection with the transactions contemplated by the Transaction Documents. In addition, effective upon the issuance of such press release, the Company acknowledges and agrees that any and all confidentiality or similar obligations under any agreement, whether written or oral, between the Company, any of its Subsidiaries or any of their respective officers, directors, agents, employees or Affiliates on the one hand, and any of the Purchasers or any of their Affiliates on the other hand, shall terminate. The Company and each Purchaser shall consult with each other in issuing any other press releases with respect to the transactions contemplated hereby, and neither the Company nor any Purchaser shall issue any such press release nor otherwise make any such public statement without the prior consent of the Company, with respect to any press release of any Purchaser, or without the prior consent of each Purchaser, with respect to any press release of the Company, which consent shall not unreasonably be withheld or delayed, except that (i) if such disclosure is required by law, in which case the disclosing party shall promptly provide the other party with prior notice of such public statement or communication and (ii) the Company may file a supplement to the prospectus included in the Company's Registration Statement on Form S-4 (Registration No. 333-261048) disclosing the material terms of the transactions contemplated hereby consistent with the terms of the press release and Current Report on Form 8-K. Notwithstanding the foregoing, the Company shall not publicly disclose the name of any Purchaser, or include the name of any Purchaser in any filing with the Commission or any regulatory agency or Trading Market, without the prior written consent of such Purchaser, except (a) as required by federal securities law in connection with (i) any registration statement contemplated by the Registration Rights Agreement and (ii) the filing of final Transaction Documents with the Commission and (b) to the extent such disclosure is required by law or Trading Market regulations, in which case the Company shall provide the Purchasers with prior notice of such disclosure permitted under this clause (b).

4.5 Shareholder Rights Plan. No claim will be made or enforced by the Company or, with the consent of the Company, any other Person, that any Purchaser is an "Acquiring Person" under any control share acquisition, business combination, poison pill (including any distribution under a rights agreement) or similar anti-takeover plan or arrangement in effect or hereafter adopted by the Company, or that any Purchaser could be deemed to trigger the provisions of any such plan or arrangement, by virtue of receiving Securities under the Transaction Documents or under any other agreement between the Company and the Purchasers.

4.6 Non-Public Information. Except with respect to the material terms and conditions of the transactions contemplated by the Transaction Documents, which shall be disclosed pursuant to Section 4.4, the Company covenants and agrees that neither it, nor any other Person acting on its behalf will provide any Purchaser or its agents or counsel with any information that constitutes, or the Company reasonably believes constitutes, material non-public information, unless prior thereto such Purchaser shall have consented to the receipt of such information and agreed with the Company to keep such information confidential. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company. To the extent that the Company, any of its Subsidiaries, or any of their respective officers, directors, agents, employees or Affiliates delivers any material, non-public information to a Purchaser without such Purchaser's consent, the Company hereby covenants and agrees that such Purchaser shall not have any duty of confidentiality to the Company, any of its Subsidiaries, or any of their respective officers, directors, agents, employees or Affiliates, or a duty to the Company, any of its Subsidiaries or any of their respective officers, directors, agents, employees or Affiliates not to trade on the basis of, such material, non-public information, provided that such Purchaser shall remain subject to applicable law. To the extent that any notice provided pursuant to any Transaction Document constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such material non-public information with the Commission pursuant to a Report on Form 8-K. The Company understands and confirms that each Purchaser shall be relying on the foregoing covenant in effecting transactions in securities of the Company.

4.7 Use of Proceeds. The Company shall use the net proceeds from the sale of the Securities hereunder for working capital purposes and to fund its payment obligations in the Merger and the Retention Bonus Plan being adopted by the Company in the Merger, and shall not use such proceeds: (a) for the satisfaction of any portion of the Company's debt (other than payment of trade payables in the ordinary course of the Company's business and prior practices), (b) for the redemption of any Common Stock or Common Stock Equivalents, (c) for the settlement of any outstanding litigation or (d) in violation of FCPA or OFAC regulations.

4.8 Indemnification of Purchaser. Subject to the provisions of this Section 4.8, the Company will indemnify and hold each Purchaser and its directors, officers, shareholders, members, partners, employees and agents (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title), each Person who controls such Purchaser (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, shareholders, agents, members, partners or employees (and any other Persons with a functionally equivalent role of a Person holding such titles notwithstanding a lack of such title or any other title) of such controlling persons (each, a "Purchaser Party") harmless from any and all losses, liabilities, obligations, claims, contingencies, damages, costs and expenses, including all judgments, amounts paid in settlements, court costs and reasonable attorneys' fees and costs of investigation that any such Purchaser Party may suffer or incur as a result of or relating to (a) any breach of any of the representations, warranties, covenants or agreements made by the Company in this Agreement or in the other Transaction Documents or (b) any action instituted against the Purchaser Parties in any capacity, or any of them or their respective Affiliates, by any shareholder of the Company who is not an Affiliate of such Purchaser Party, with respect to any of the transactions contemplated by the Transaction Documents (unless such action is solely based upon a material breach of such Purchaser Party's representations, warranties or covenants under the Transaction Documents or any agreements or understandings such Purchaser Party may have with any such shareholder or any violations by such Purchaser Party of state or federal securities laws or any conduct by such Purchaser Party which is finally judicially determined to constitute fraud, gross negligence or willful misconduct), or (c) in connection with any Registration Statement of the Company providing for the resale by any Purchaser Party of the Shares, and the Warrant Shares issued and issuable upon exercise of the Warrants, the Company will indemnify each Purchaser Party, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses, as incurred, arising out of or relating to (i) any untrue or alleged untrue statement of a material fact contained in such registration statement, any prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any prospectus or supplement thereto, in the light of the circumstances under which they were made) not misleading, except to the extent, but only to the extent, that such untrue statements or omissions are based solely upon information regarding such Purchaser Party furnished in writing to the Company by such Purchaser Party expressly for use therein, or (ii) any violation or alleged violation by the Company of the Securities Act, the Exchange Act or any state securities law, or any rule or regulation thereunder in connection therewith. If any action shall be brought against any Purchaser Party in respect of which indemnity may be sought pursuant to this Agreement, such Purchaser Party shall promptly notify the Company in writing, and the Company shall have the right to assume the defense thereof with counsel of its own choosing reasonably acceptable to such Purchaser Party. Any Purchaser Party shall have the right to engage separate counsel in any such action and participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Purchaser Party except to the extent that (x) the engagement thereof has been specifically authorized by the Company in writing, (y) the Company has failed after a reasonable period of time to assume such defense and to engage counsel or (z) in such action there is, in the reasonable opinion of counsel, a material conflict on any material issue between the position of the Company and the position of such Purchaser Party, in which case the Company shall be responsible for the reasonable fees and expenses of no more than one such separate counsel. The Company will not be liable to any Purchaser Party under this Agreement (1) for any settlement by a Purchaser Party effected without the Company's prior written consent, which shall not be unreasonably withheld or delayed; or (2) to the extent, but only to the extent that a loss, claim, damage or liability is attributable to any Purchaser Party's breach of any of the representations, warranties, covenants or agreements made by such Purchaser Party in this Agreement or in the other Transaction Documents. The indemnification required by this Section 4.8 shall be made by periodic payments of the amount thereof during the course of the investigation or defense, as and when bills are received or are incurred. The indemnity agreements contained herein shall be in addition to any cause of action or similar right of any Purchaser Party against the Company or others and any liabilities the Company may be subject to pursuant to law.

4.9 Reservation of Common Stock. As of the date hereof, the Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of shares of Common Stock for the purpose of enabling the Company to issue Shares pursuant to this Agreement and to issue the Warrant Shares pursuant to any exercise of the Warrants.

4.10 Listing of Common Stock. For as long as any Warrants are outstanding and exercisable, the Company hereby agrees to use commercially reasonable efforts to maintain the listing or quotation of the shares of Common Stock on the Trading Market on which it is currently listed, and concurrently with the Closing, the Company shall apply to list or quote all of the Shares and the Warrant Shares on such Trading Market and promptly secure the listing of all of the Shares and Warrant Shares on such Trading Market. The Company further agrees, if the Company applies to have the shares of Common Stock traded on any other Trading Market, it will then include in such application all of the Shares and Warrant Shares, and will take such other action as is necessary to cause all of the Shares and Warrant Shares to be listed or quoted on such other Trading Market as promptly as possible. The Company will then take all action reasonably necessary to continue the listing and trading of its shares of Common Stock on a Trading Market and will comply in all material respects with the Company's reporting, filing and other obligations under the bylaws or rules of the Trading Market. For so long as the Company maintains a listing or quotation of the shares of Common Stock on a Trading Market, the Company agrees to maintain the eligibility of the shares of Common Stock for electronic transfer through the Depository Trust Company or another established clearing corporation, including, without limitation, by timely payment of fees to the Depository Trust Company or such other established clearing corporation in connection with such electronic transfer.

4.11 Reservation of Shares. As of the date hereof, the Company has reserved and the Company shall continue to reserve and keep available at all times, free of preemptive rights, a sufficient number of Shares and Warrant Shares for the purpose of enabling the Company to issue Shares and Warrant Shares pursuant to this Agreement.

4.12 Subsequent Equity Sales.

(a) From the date hereof until 90 days after the date on which a Registration Statement registering for resale all of the Shares and Warrant Shares is declared effective by the Commission (such applicable period, the "Restricted Period"), neither the Company nor any Subsidiary shall (i) issue, enter into any agreement to issue or announce the issuance or proposed issuance of any shares of Common Stock or Common Stock Equivalents or (ii) file any registration statement or any amendment or supplement thereto, in each case other than as contemplated pursuant to the Registration Rights Agreement. The restrictions under this Section 4.12(a) shall also apply to all Company Affiliates, including, without limitation, the Company's Board of Directors and Named Executive Officers, as that term is defined in Section 402(a)(3) of Regulation S-K (17 CFR § 402(a)(3)), who, for the avoidance of doubt, may not sell any shares of Common Stock owned by them during the Restricted Period.

(b) During the Restricted Period, the Company shall be prohibited from effecting or entering into an agreement to effect any issuance by the Company or any of its Subsidiaries of shares of Common Stock or Common Stock Equivalents (or a combination of units thereof) involving a Variable Rate Transaction. "Variable Rate Transaction" means a transaction in which the Company (i) issues or sells any debt or equity securities that are convertible into, exchangeable or exercisable for, or include the right to receive additional shares of Common Stock either (A) at a conversion price, exercise price or exchange rate or other price that is based upon and/or varies with the trading prices of or quotations for the shares of Common Stock at any time after the initial issuance of such debt or equity securities, or (B) with a conversion, exercise or exchange price that is subject to being reset at some future date after the initial issuance of such debt or equity security or upon the occurrence of specified or contingent events directly or indirectly related to the business of the Company or the market for the shares of Common Stock or (ii) enters into, or effects a transaction under, any agreement, including, but not limited to, an equity line of credit, whereby the Company may issue securities at a future determined price. Any Purchaser shall be entitled to obtain injunctive relief against the Company to preclude any such issuance, which remedy shall be in addition to any right to collect damages.

(c) Notwithstanding the foregoing, this Section 4.12 shall not apply in respect of an Exempt Issuance, except that no Variable Rate Transaction shall be an Exempt Issuance (other than those Exempt Issuances set forth on Schedule 4.12(c)).

4.13 Equal Treatment of Purchasers. No consideration (including any modification of any Transaction Document) shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of the Transaction Documents unless the same consideration is also offered to all of the parties to the Transaction Documents. For clarification purposes, this provision constitutes a separate right granted to each Purchaser by the Company and negotiated separately by each Purchaser, and is intended for the Company to treat the Purchasers as a class and shall not in any way be construed as the Purchasers acting in concert or as a group with respect to the purchase, disposition or voting of Securities or otherwise.

4.14 Certain Transactions and Confidentiality. Each Purchaser covenants that neither it nor any Affiliate acting on its behalf or pursuant to any understanding with it will execute any purchases or sales, including Short Sales of any of the Company's securities during the period commencing with the execution of this Agreement and ending at such time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.4. Each Purchaser, severally and not jointly with the other Purchasers, covenants that until such time as the transactions contemplated by this Agreement are publicly disclosed by the Company pursuant to the initial press release as described in Section 4.4, such Purchaser will maintain the confidentiality of the existence and terms of this transaction and the information included in the Disclosure Schedules. Notwithstanding the foregoing, and notwithstanding anything contained in this Agreement to the contrary, the Company expressly acknowledges and agrees that (i) no Purchaser makes any representation, warranty or covenant hereby that it will engage in effecting transactions in any securities of the Company after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.4, (ii) no Purchaser shall be restricted or prohibited by this Agreement from effecting any transactions in any securities of the Company in accordance with applicable securities laws from and after the time that the transactions contemplated by this Agreement are first publicly announced pursuant to the initial press release as described in Section 4.4 and (iii) no Purchaser shall have any duty of confidentiality or duty not to trade in the securities of the Company to the Company or its Subsidiaries after the issuance of the initial press release as described in Section 4.4. Notwithstanding the foregoing, in the case of a Purchaser is a multi-managed investment vehicle whereby separate portfolio managers manage separate portions of such Purchaser's assets and the portfolio managers have no direct knowledge of the investment decisions made by the portfolio managers managing other portions of such Purchaser's assets, the covenant set forth above shall only apply with respect to the portion of assets managed by the portfolio manager that made the investment decision to purchase the Securities covered by this Agreement.

4.15 Capital Changes. Until the one year anniversary of the Closing Date, the Company shall not undertake a reverse or forward share split or reclassification of the Common Stock without the prior written consent of the Purchasers, provided that no consent shall be required in the event that the Company undertakes a reverse share split for purposes of maintaining the listing of the shares of Common Stock on the Trading Market.

4.16 [Reserved.]

4.17 Exercise Procedures. The form of Notice of Exercise included in the Warrants set forth the totality of the procedures required of the Purchasers in order to exercise the Warrants. No additional legal opinion, other information or instructions shall be required of the Purchasers to exercise their Warrants. Without limiting the preceding sentences, no ink-original Notice of Exercise shall be required, nor shall any medallion guarantee (or other type of guarantee or notarization) of any Notice of Exercise form be required in order to exercise the Warrants. The Company shall honor exercises of the Warrants and shall deliver Warrant Shares in accordance with the terms, conditions and time periods set forth in the Transaction Documents.

4.18 Form D; Blue Sky Filings. The Company agrees to timely file a Form D with respect to the offering of the Securities as required under Regulation D and to provide a copy thereof, promptly upon request of any Purchaser. The Company shall take such action as the Company shall reasonably determine is necessary in order to obtain an exemption for, or to qualify the Securities for, sale to the Purchasers at the Closing under applicable securities or "Blue Sky" laws of the states of the United States, and shall provide evidence of such actions promptly upon request of any Purchaser.

ARTICLE V.
MISCELLANEOUS

5.1 Termination. This Agreement may be terminated by the Company or by any Purchaser, as to such Purchaser's obligations hereunder only, and without any effect whatsoever on the obligations between the Company and the other Purchasers, by written notice to the other parties, if the Closing has not been consummated on or before the fifth (5^{th}) Trading Day following the date hereof; provided, however, that no such termination will affect the right of any party hereto to sue for any breach by any other party (or parties) hereto.

5.2 Fees and Expenses. Except as expressly set forth in the Transaction Documents to the contrary, each party hereto shall pay the fees and expenses of its advisers, counsel, accountants and other experts, if any, and all other expenses incurred by such party incident to the negotiation, preparation, execution, delivery and performance of this Agreement. The Company shall pay all Transfer Agent fees (including, without limitation, any fees required for same-day processing of any instruction letter delivered by the Company and any exercise notice delivered by a Purchaser), stamp taxes and other taxes and duties levied in connection with the delivery of any Securities to the Purchasers.

5.3 Entire Agreement. The Transaction Documents, together with the exhibits and schedules thereto, contain the entire understanding of the parties hereto with respect to the subject matter hereof and thereof and supersede all prior agreements and understandings, oral or written, with respect to such matters, which such parties acknowledge have been merged into such documents, exhibits and schedules.

5.4 Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be in writing and shall be deemed given and effective on the earliest of: (a) the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment at the email address as set forth on the signature pages attached hereto at or prior to 5:30 p.m. (New York City time) on a Trading Day, (b) the next Trading Day after the time of transmission, if such notice or communication is delivered via facsimile at the facsimile number or email attachment at the email address as set forth on the signature pages attached hereto on a day that is not a Trading Day or later than 5:30 p.m. (New York City time) on any Trading Day, (c) the second (2^{nd})Trading Day following the date of mailing, if sent by U.S. nationally recognized overnight courier service or (d) upon actual receipt by the party to whom such notice is required to be given. The address for such notices and communications shall be as set forth on the signature pages attached hereto. To the extent that any notice provided pursuant to any Transaction Document constitutes, or contains, material, non-public information regarding the Company or any Subsidiaries, the Company shall simultaneously file such notice with the Commission pursuant to a Report on Form 8-K.

5.5 Amendments; Waivers. No provision of this Agreement may be waived, modified, supplemented or amended except in a written instrument signed, in the case of an amendment, by the Company and Purchasers which purchased at least 50.1% in interest of the Shares and Pre-Funded Warrants based on the initial Subscription Amounts hereunder (or, prior to the Closing, the Company and each Purchaser) or, in the case of a waiver, by the party against whom enforcement of any such waived provision is sought, provided that if any amendment, modification or waiver disproportionately and adversely impacts a Purchaser (or group of Purchasers), the consent of such disproportionately impacted Purchaser (or group of Purchasers) shall also be required. No waiver of any default with respect to any provision, condition or requirement of this Agreement shall be deemed to be a continuing waiver in the future or a waiver of any subsequent default or a waiver of any other provision, condition or requirement hereof, nor shall any delay or omission of any party to exercise any right hereunder in any manner impair the exercise of any such right. Any proposed amendment or waiver that disproportionately, materially and adversely affects the rights and obligations of any Purchaser relative to the comparable rights and obligations of the other Purchasers shall require the prior written consent of such adversely affected Purchaser. Any amendment effected in accordance with this Section 5.5 shall be binding upon each Purchaser and holder of Securities and the Company.

5.6 Headings. The headings herein are for convenience only, do not constitute a part of this Agreement and shall not be deemed to limit or affect any of the provisions hereof.

5.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and permitted assigns. The Company may not assign this Agreement or any rights or obligations hereunder without the prior written consent of each Purchaser (other than by merger). Any Purchaser may assign any or all of its rights under this Agreement to any Person to whom such Purchaser assigns or transfers any Securities, provided that such transferee agrees in writing to be bound, with respect to the transferred Securities, by the provisions of the Transaction Documents that apply to the "Purchasers."

5.8 No Third-Party Beneficiaries. The Placement Agent shall be the third-party beneficiary of the representations and warranties of the Company in Section 3.1 and the representations and warranties of the Purchasers in Section 3.2. This Agreement is intended for the benefit of the parties hereto and their respective successors and permitted assigns and is not for the benefit of, nor may any provision hereof be enforced by, any other Person, except as otherwise set forth in Section 4.8 and this Section 5.8.

5.9 Governing Law. All questions concerning the construction, validity, enforcement and interpretation of the Transaction Documents shall be governed by and construed and enforced in accordance with the internal laws of the State of New York, without regard to the principles of conflicts of law thereof. Each party hereto agrees that all Proceedings concerning the interpretations, enforcement and defense of the transactions contemplated by this Agreement and any other Transaction Documents (whether brought against a party hereto or its respective affiliates, directors, officers, shareholders, partners, members, employees or agents) shall be commenced exclusively in the state and federal courts sitting in the City of New York. Each party hereto hereby irrevocably submits to the exclusive jurisdiction of the state and federal courts sitting in the City of New York, Borough of Manhattan for the adjudication of any dispute hereunder or in connection herewith or with any transaction contemplated hereby or discussed herein (including with respect to the enforcement of any of the Transaction Documents), and hereby irrevocably waives, and agrees not to assert in any Action or Proceeding, any claim that it is not personally subject to the jurisdiction of any such court, that such Action or Proceeding is improper or is an inconvenient venue for such Proceeding. Each party hereto hereby irrevocably waives personal service of process and consents to process being served in any such Action or Proceeding by mailing a copy thereof via registered or certified mail or overnight delivery (with evidence of delivery) to such party at the address in effect for notices to it under this Agreement and agrees that such service shall constitute good and sufficient service of process and notice thereof. Nothing contained herein shall be deemed to limit in any way any right to serve process in any other manner permitted by law. If any party hereto shall commence an Action or Proceeding to enforce any provisions of the Transaction Documents, then, in addition to the obligations of the Company under Section 4.8, the prevailing party in such Action or Proceeding shall be reimbursed by the non-prevailing party for its reasonable attorneys' fees and other costs and expenses incurred with the investigation, preparation and prosecution of such Action or Proceeding.

5.10 Survival. The representations and warranties contained herein shall survive the Closing and the delivery of the Securities for a period of five (5) years from the Closing.

5.11 Execution. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party hereto and delivered to the other party hereto, it being understood that the parties hereto need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

5.12 Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

5.13 Rescission and Withdrawal Right. Notwithstanding anything to the contrary contained in (and without limiting any similar provisions of) any of the other Transaction Documents, whenever any Purchaser exercises a right, election, demand or option under a Transaction Document and the Company does not timely perform its related obligations within the periods therein provided, then such Purchaser may rescind or withdraw, in its sole discretion from time to time upon written notice to the Company, any relevant notice, demand or election in whole or in part without prejudice to its future actions and rights; provided, however, that in the case of a rescission of an exercise of a Warrant, the applicable Purchaser shall be required to return any shares of Common Stock subject to any such rescinded exercise notice concurrently with the return to such Purchaser of the aggregate exercise price paid to the Company for such shares and the restoration of such Purchaser's right to acquire such shares pursuant to such Warrant (including, issuance of a replacement warrant certificate evidencing such restored right).

5.14 Replacement of Securities. If any certificate or instrument evidencing any Securities is mutilated, lost, stolen or destroyed, the Company shall issue or cause to be issued in exchange and substitution for and upon cancellation thereof (in the case of mutilation), or in lieu of and substitution therefor, a new certificate or instrument, but only upon receipt of evidence reasonably satisfactory to the Company of such loss, theft or destruction. The applicant for a new certificate or instrument under such circumstances shall also pay any reasonable third-party costs (including customary indemnity) associated with the issuance of such replacement Securities.

5.15 Remedies. In addition to being entitled to exercise all rights provided herein or granted by law, including recovery of damages, each of the Purchasers and the Company will be entitled to specific performance under the Transaction Documents. The parties hereto agree that monetary damages may not be adequate compensation for any loss incurred by reason of any breach of obligations contained in the Transaction Documents and hereby agree to waive and not to assert in any action for specific performance of any such obligation the defense that a remedy at law would be adequate. Each party hereto agrees that it shall not have a remedy of punitive or consequential damages against the other and hereby waives any right or claim to punitive or consequential damages it may now have or may arise in the future.

5.16 Payment Set Aside. To the extent that the Company makes a payment or payments to any Purchaser pursuant to any Transaction Document or a Purchaser enforces or exercises its rights thereunder, and such payment or payments or the proceeds of such enforcement or exercise or any part thereof are subsequently invalidated, declared to be fraudulent or preferential, set aside, recovered from, disgorged by or are required to be refunded, repaid or otherwise restored to the Company, a trustee, receiver or any other Person under any law (including, without limitation, any bankruptcy law, state or federal law, common law or equitable cause of action), then to the extent of any such restoration the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such enforcement or setoff had not occurred.

5.17 Independent Nature of Purchasers' Obligations and Rights. The obligations of each Purchaser under any Transaction Document are several and not joint with the obligations of any other Purchaser, and no Purchaser shall be responsible in any way for the performance or non-performance of the obligations of any other Purchaser under any Transaction Document. Nothing contained herein or in any other Transaction Document, and no action taken by any Purchaser pursuant hereto or thereto, shall be deemed to constitute the Purchasers as a partnership, an association, a joint venture or any other kind of entity, or create a presumption that the Purchasers are in any way acting in concert or as a group with respect to such obligations or the transactions contemplated by the Transaction Documents. Each Purchaser shall be entitled to independently protect and enforce its rights including, without limitation, the rights arising out of this Agreement or out of the other Transaction Documents, and it shall not be necessary for any other Purchaser to be joined as an additional party in any Proceeding for such purpose. Each Purchaser has been represented by its own separate legal counsel in its review and negotiation of the Transaction Documents. For reasons of administrative convenience only, each Purchaser and its respective counsel have chosen to communicate with the Company through Thompson Hine. Thompson Hine does not represent any of the Purchasers and only represents the Placement Agent. The Company has elected to provide all Purchasers with the same terms and Transaction Documents for the convenience of the Company and not because it was required or requested to do so by any of the Purchasers. It is expressly understood and agreed that each provision contained in this Agreement and in each other Transaction Document is between the Company and a Purchaser, solely, and not between the Company and the Purchasers collectively and not between and among the Purchasers.

5.18 Liquidated Damages. The Company's obligations to pay any partial liquidated damages or other amounts owing under the Transaction Documents is a continuing obligation of the Company and shall not terminate until all unpaid partial liquidated damages and other amounts have been paid notwithstanding the fact that the instrument or security pursuant to which such partial liquidated damages or other amounts are due and payable shall have been canceled.

5.19 Saturdays, Sundays, Holidays, etc. If the last or appointed day for the taking of any action or the expiration of any right required or granted herein shall not be a Business Day, then such action may be taken or such right may be exercised on the next succeeding Business Day.

5.20 Construction. The parties hereto agree that each of them and/or their respective counsel have reviewed and had an opportunity to revise the Transaction Documents and, therefore, the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of the Transaction Documents or any amendments thereto. In addition, each and every reference to share prices and shares of Common Stock in any Transaction Document shall be subject to adjustment for reverse and forward share splits, share dividends, share combinations and other similar transactions of the shares of Common Stock that occur after the date of this Agreement.

5.21 **WAIVER OF JURY TRIAL. IN ANY ACTION, SUIT, OR PROCEEDING IN ANY JURISDICTION BROUGHT BY ANY PARTY HERETO AGAINST ANY OTHER PARTY HERETO, THE PARTIES HERETO EACH KNOWINGLY AND INTENTIONALLY, TO THE GREATEST EXTENT PERMITTED BY APPLICABLE LAW, HEREBY ABSOLUTELY, UNCONDITIONALLY, IRREVOCABLY AND EXPRESSLY WAIVES FOREVER TRIAL BY JURY.**

[signature page follows]

IN WITNESS WHEREOF, the parties hereto have caused this Securities Purchase Agreement to be duly executed by their respective authorized signatories as of the date first indicated above.

CREATIVE REALITIES, INC.

By: _____
Name:
Title:

Address for Notice:

Fax:
E-mail:

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK
SIGNATURE PAGE FOR PURCHASER FOLLOWS]

[PURCHASER SIGNATURE PAGE TO CREX SECURITIES PURCHASE AGREEMENT]

IN WITNESS WHEREOF, the undersigned has caused this Securities Purchase Agreement to be duly executed by its authorized signatory as of the date first indicated above.

Name of Purchaser: _____

Signature of Authorized Signatory of Purchaser: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

Email Address of Authorized Signatory:_____

Facsimile Number of Authorized Signatory: _____

Address for Notice to Purchaser: _____

Address for Delivery of Warrants to Purchaser (if not same as address for notice):
_____
_____
_____

Subscription Amount: $_____

Shares: _____

Warrant Shares: _____

Pre-Funded Warrant Shares: _____

EIN Number: _____

Exhibit 10.2

REGISTRATION RIGHTS AGREEMENT

This Registration Rights Agreement (this "Agreement") is made and entered into as of February 3, 2022, between Creative Realities, Inc., a Minnesota corporation (the "Company"), and each of the several purchasers signatory hereto (each such purchaser, a "Purchaser" and, collectively, the "Purchasers").

This Agreement is made pursuant to the Securities Purchase Agreement, dated as of the date hereof, between the Company and each Purchaser (the "Purchase Agreement").

The Company and each Purchaser hereby agrees as follows:

1. Definitions.

Capitalized terms used and not otherwise defined herein that are defined in the Purchase Agreement shall have the meanings given such terms in the Purchase Agreement. As used in this Agreement, the following terms shall have the following meanings:

"Advice" shall have the meaning set forth in Section 6(c).

"Effectiveness Date" means, with respect to the Initial Registration Statement required to be filed hereunder, the 30th calendar day following the date hereof (or, in the event of a "full review" by the Commission, the 60th calendar day following the date hereof, or, in the event that the Initial Registration Statement is not declared effective by the Commission prior to February 14, 2022, March 31, 2022) and with respect to any additional Registration Statements which may be required pursuant to Section 2(c) or Section 3(c), the 30th calendar day following the date on which an additional Registration Statement is required to be filed hereunder (or, in the event of a "full review" by the Commission, the 50th calendar day following the date such additional Registration Statement is required to be filed hereunder); provided, however, that in the event the Company is notified by the Commission that one or more of the above Registration Statements will not be reviewed or is no longer subject to further review and comments (provided, however, with respect to the Initial Registration Statement, only if such notification is received by the Company on or prior to February 10, 2022), the Effectiveness Date as to such Registration Statement shall be the fifth Trading Day following the date on which the Company is so notified if such date precedes the dates otherwise required above, provided, further, if such Effectiveness Date falls on a day that is not a Trading Day, then the Effectiveness Date shall be the next succeeding Trading Day.

"Effectiveness Period" shall have the meaning set forth in Section 2(a).

"Event" shall have the meaning set forth in Section 2(d).

"Event Date" shall have the meaning set forth in Section 2(d).

"Filing Date" means, with respect to the Initial Registration Statement required hereunder, the Company shall use its best efforts to file the Initial Registration Statement by February 3, 2022, and in no event later than February 4, 2022, and, with respect to any additional Registration Statements which may be required pursuant to Section 2(c) or Section 3(c), the earliest practical date on which the Company is permitted by SEC Guidance to file such additional Registration Statement related to the Registrable Securities.

"Holder" or "Holders" means the holder or holders, as the case may be, from time to time of Registrable Securities.

"Indemnified Party" shall have the meaning set forth in Section 5(c).

"Indemnifying Party" shall have the meaning set forth in Section 5(c).

"Initial Registration Statement" means the initial Registration Statement filed pursuant to this Agreement.

"Losses" shall have the meaning set forth in Section 5(a).

"Plan of Distribution" shall have the meaning set forth in Section 2(a).

"Prospectus" means the prospectus included in a Registration Statement (including, without limitation, a prospectus that includes any information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A promulgated by the Commission pursuant to the Securities Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Registrable Securities covered by a Registration Statement, and all other amendments and supplements to the Prospectus, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"Registrable Securities" means, as of any date of determination, (a) all Shares, (b) all Warrant Shares then issued and issuable upon exercise of the Warrants, including all Company Warrants and Pre-Funded Warrants (assuming on such date the Warrants are exercised in full without regard to any exercise limitations therein) and (c) any securities issued or then issuable upon any share split, dividend or other distribution, recapitalization or similar event with respect to the foregoing; provided, however, that any such Registrable Securities shall cease to be Registrable Securities (and the Company shall not be required to maintain the effectiveness of any, or file another, Registration Statement hereunder with respect thereto) for so long as (a) a Registration Statement with respect to the sale of such Registrable Securities is declared effective by the Commission under the Securities Act and such Registrable Securities have been disposed of by the Holder in accordance with such effective Registration Statement, (b) such Registrable Securities have been previously sold in accordance with Rule 144, or (c) such securities become eligible for resale without volume or manner-of-sale restrictions and without the requirement for the Company to be in compliance with the current public information requirement under Rule 144 as set forth in a written opinion letter to such effect, addressed, delivered and acceptable to the Transfer Agent and the affected Holders (assuming that such securities and any securities issuable upon exercise, conversion or exchange of which, or as a dividend upon which, such securities were issued or are issuable, were at no time held by any Affiliate of the Company, as reasonably determined by the Company, upon the advice of counsel to the Company.

"Registration Statement" means any registration statement required to be filed hereunder pursuant to Section 2(a) and any additional registration statements contemplated by Section 2(c) or Section 3(c), including (in each case) the Prospectus, amendments and supplements to any such registration statement or Prospectus, including pre- and post-effective amendments, all exhibits thereto, and all material incorporated by reference or deemed to be incorporated by reference in any such registration statement.

"Rule 415" means Rule 415 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"Rule 424" means Rule 424 promulgated by the Commission pursuant to the Securities Act, as such Rule may be amended or interpreted from time to time, or any similar rule or regulation hereafter adopted by the Commission having substantially the same purpose and effect as such Rule.

"Selling Shareholder Questionnaire" shall have the meaning set forth in Section 3(a).

"SEC Guidance" means (i) any publicly-available written or oral guidance of the Commission staff, or any comments, requirements or requests of the Commission staff and (ii) the Securities Act.

2. Shelf Registration.

(a) On or prior to each Filing Date, the Company shall prepare and file with the Commission a Registration Statement covering the resale of all of the Registrable Securities that are not then registered on an effective Registration Statement for an offering to be made on a continuous basis pursuant to Rule 415. Each Registration Statement filed hereunder shall be on Form S-3 (except if the Company is not then eligible to register for resale the Registrable Securities on Form S-3, in which case such registration shall be on another appropriate form in accordance herewith, subject to the provisions of Section 2(e)) and shall contain (unless otherwise directed by at least 85% in interest of the Holders) substantially the "Plan of Distribution" attached hereto as Annex A and substantially the "Selling Shareholder" section attached hereto as Annex B; provided, however, that no Holder shall be required to be named as an "underwriter" without such Holder's express prior written consent. Subject to the terms of this Agreement, the Company shall use its commercially reasonable efforts to cause a Registration Statement filed under this Agreement (including, without limitation, under Section 3(c)) to be declared effective under the Securities Act as promptly as possible after the filing thereof, but in any event no later than the applicable Effectiveness Date, and shall use its best efforts to keep such Registration Statement continuously effective under the Securities Act until the date that all Registrable Securities covered by such Registration Statement (i) have been sold, thereunder or pursuant to Rule 144, or (ii) may be sold without volume or manner-of-sale restrictions pursuant to Rule 144 and without the requirement for the Company to be in compliance with the current public information requirement under Rule 144, as determined by the counsel to the Company pursuant to a written opinion letter to such effect, addressed and acceptable to the Transfer Agent and the affected Holders (the "Effectiveness Period"). The Company shall telephonically request effectiveness of a Registration Statement as of 5:00 p.m. (New York City time) on a Trading Day. The Company shall immediately notify the Holders via facsimile or by e-mail of the effectiveness of a Registration Statement on the same Trading Day that the Company telephonically confirms effectiveness with the Commission, which shall be the date requested for effectiveness of such Registration Statement. The Company shall, by 9:30 a.m. (New York City time) on the Trading Day after the effective date of such Registration Statement, file a final Prospectus with the Commission as required by Rule 424. Failure to so notify the Holder within one (1) Trading Day of such notification of effectiveness or failure to file a final Prospectus as foresaid shall be deemed an Event under Section 2(d).

(b) Notwithstanding the registration obligations set forth in Section 2(a), if the Commission informs the Company that all of the Registrable Securities cannot, as a result of the application of Rule 415, be registered for resale as a secondary offering on a single registration statement, the Company agrees to promptly inform each of the Holders thereof and use its commercially reasonable efforts to file amendments to the Initial Registration Statement as required by the Commission, covering the maximum number of Registrable Securities permitted to be registered by the Commission, on Form S-3 or such other form available to register for resale the Registrable Securities as a secondary offering, subject to the provisions of Section 2(e); provided, however, that prior to filing such amendment, the Company shall be obligated to use diligent efforts to advocate with the Commission for the registration of all of the Registrable Securities in accordance with the SEC Guidance, including without limitation, Compliance and Disclosure Interpretation 612.09.

(c) Notwithstanding any other provision of this Agreement and subject to the payment of liquidated damages pursuant to Section 2(d), if the Commission or any SEC Guidance sets forth a limitation on the number of Registrable Securities permitted to be registered on a particular Registration Statement as a secondary offering (and notwithstanding that the Company used diligent efforts to advocate with the Commission for the registration of all or a greater portion of Registrable Securities), unless otherwise directed in writing by a Holder as to its Registrable Securities, the number of Registrable Securities to be registered on such Registration Statement will be reduced as follows:

a. First, the Company shall reduce or eliminate any securities to be included other than Registrable Securities;

b. Second, the Company shall reduce Registrable Securities represented by Warrant Shares (applied, in the case that some Warrant Shares may be registered, to the Holders on a pro rata basis based on the total number of unregistered Warrant Shares held by such Holders); and

c. Third, the Company shall reduce Registrable Securities represented by Shares (applied, in the case that some Shares may be registered, to the Holders on a pro rata basis based on the total number of unregistered Shares held by such Holders).

In the event of a cutback hereunder, the Company shall give the Holder at least five (5) Trading Days prior written notice along with the calculations as to such Holder's allotment. In the event the Company amends the Initial Registration Statement in accordance with the foregoing, the Company will use its commercially reasonable efforts to file with the Commission, as promptly as allowed by Commission or SEC Guidance provided to the Company or to registrants of securities in general, one or more registration statements on Form S-3 or such other form available to register for resale those Registrable Securities that were not registered for resale on the Initial Registration Statement, as amended.

(d) If: (i) the Initial Registration Statement is not filed on or prior to its Filing Date (if the Company files the Initial Registration Statement without affording the Holders the opportunity to review and comment on the same as required by Section 3(a) herein, the Company shall be deemed to have not satisfied this clause (i)), or (ii) the Company fails to file with the Commission a request for acceleration of a Registration Statement in accordance with Rule 461 promulgated by the Commission pursuant to the Securities Act, within five (5) Trading Days of the date that the Company is notified (orally or in writing, whichever is earlier) by the Commission that such Registration Statement will not be "reviewed" or will not be subject to further review, or (iii) prior to the effective date of a Registration Statement, the Company fails to file a pre-effective amendment and otherwise respond in writing to comments made by the Commission in respect of such Registration Statement within ten (10) calendar days after the receipt of comments by or notice from the Commission that such amendment is required in order for such Registration Statement to be declared effective; provided, however, that to the extent that the filing of an amendment to the Registration Statement under paragraph (iii) would require updated audited financial statements to be filed by amendment to the Registration Statement pursuant to the Securities Act in advance of the applicable filing deadline for such audited financial statements under the Exchange Act, the applicable Event Date with respect thereto shall be five (5) Trading Days after the applicable Exchange Act deadline; or (iv) a Registration Statement registering for resale all of the Registrable Securities, subject to the cutback limitations set forth in Section 2(c) of this Agreement, is not declared effective by the Commission by the Effectiveness Date of the Initial Registration Statement, or (v) after the effective date of a Registration Statement but prior to the end of the Effectiveness Period, such Registration Statement ceases for any reason to remain continuously effective as to all Registrable Securities included in such Registration Statement, or the Holders are otherwise not permitted to utilize the Prospectus therein to resell such Registrable Securities, for more than ten (10) consecutive calendar days or more than an aggregate of fifteen (15) calendar days (which need not be consecutive calendar days) during any 12-month period (any such failure or breach being referred to as an "Event", and for purposes of clauses (i) and (iv), the date on which such Event occurs, and for purpose of clause (ii) the date on which such five (5) Trading Day period is exceeded, and for purpose of clause (iii) the date which such ten (10) calendar day period is exceeded, and for purpose of clause (v) the date on which such ten (10) or fifteen (15) calendar day period, as applicable, is exceeded being referred to as "Event Date"), then, in addition to any other rights the Holders may have hereunder or under applicable law, on each such Event Date and on each monthly anniversary of each such Event Date (if the applicable Event shall not have been cured by such date) until the applicable Event is cured, the Company shall pay to each Holder an amount in cash, in newly issued shares of Common Stock, rounded down to the nearest whole share, (at the Per Share Purchase Price), or in Common Warrants to purchase the shares of Common Stock (based on the Exercise Price), at the sole option of the respective Purchaser, as partial liquidated damages and not as a penalty, equal to the product of 2.0% multiplied by the aggregate Subscription Amount paid by such Holder pursuant to the Purchase Agreement; provided, that, in no case shall the Company be required to issue any shares of Common Stock or Common Warrants in violation of the listing rules of the Nasdaq Stock Market LLC; and provided, further, that the Company shall not be required to make any payments pursuant to this Section 2(d) with respect to any Registrable Securities the Company is unable to register due to limits imposed by the Commission's interpretation of Rule 415 under the Securities Act as contemplated by Section 2(b). If the Company fails to pay any partial liquidated damages pursuant to this Section in full within seven days after the date payable, the Company will pay interest thereon at a rate of 18% per annum (or such lesser maximum amount that is permitted to be paid by applicable law) to the Holder, accruing daily from the date such partial liquidated damages are due until such amounts, plus all such interest thereon, are paid in full. The partial liquidated damages pursuant to the terms hereof shall apply on a daily pro rata basis for any portion of a month prior to the cure of an Event.

(e) If Form S-3 is not available for the registration of the resale of Registrable Securities hereunder, the Company shall (i) register the resale of the Registrable Securities on another appropriate form and (ii) undertake to register the Registrable Securities on Form S-3 as soon as such form is available, provided that the Company shall maintain the effectiveness of the Registration Statement then in effect until such time as a Registration Statement on Form S-3 covering the Registrable Securities has been declared effective by the Commission.

(f) Notwithstanding anything to the contrary contained herein, in no event shall the Company be permitted to name any Holder or affiliate of a Holder as any Underwriter without the prior written consent of such Holder.

3. Registration Procedures.

In connection with the Company's registration obligations hereunder, the Company shall:

(a) Not less than one (1) Trading Day prior to the filing of the Initial Registration Statement and not less than three (3) Trading Days prior to the filing of each additional Registration Statement and not less than one (1) Trading Day prior to the filing of any related Prospectus or any amendment or supplement thereto (including any document that would be incorporated or deemed to be incorporated therein by reference), the Company shall (i) furnish to each Holder copies of all such documents proposed to be filed, which documents (other than those incorporated or deemed to be incorporated by reference) will be subject to the review of such Holders, and (ii) cause its officers and directors, counsel and independent registered public accountants to respond to such inquiries as shall be necessary, in the reasonable opinion of respective counsel to each Holder, to conduct a reasonable investigation within the meaning of the Securities Act. The Company shall not file a Registration Statement or any such Prospectus or any amendments or supplements thereto to which the Holders of a majority of the Registrable Securities shall reasonably object in good faith, provided that, the Company is notified of such objection in writing no later than three (3) Trading Days after the Holders have been so furnished copies of a Registration Statement or one (1) Trading Day after the Holders have been so furnished copies of any related Prospectus or amendments or supplements thereto. Each Holder agrees to furnish to the Company a completed questionnaire in the form attached to this Agreement as Annex B (a "Selling Shareholder Questionnaire") on a date that is not less than three (3) Trading Days prior to the Filing Date or by the end of the fourth (4^{th}) Trading Day following the date on which such Holder receives draft materials in accordance with this Section. In addition to the Selling Shareholder Questionnaire, each Holder shall furnish such other information as shall be reasonably required to effect the registration of such Registrable Securities, and shall execute such documents in connection with such registration as the Company may reasonably request.

(b) (i) Prepare and file with the Commission such amendments, including post-effective amendments, to a Registration Statement and the Prospectus used in connection therewith as may be necessary to keep a Registration Statement continuously effective as to the applicable Registrable Securities for the Effectiveness Period and prepare and file with the Commission such additional Registration Statements in order to register for resale under the Securities Act all of the Registrable Securities, (ii) cause the related Prospectus to be amended or supplemented by any required Prospectus supplement (subject to the terms of this Agreement), and, as so supplemented or amended, to be filed pursuant to Rule 424, (iii) respond as promptly as reasonably possible to any comments received from the Commission with respect to a Registration Statement or any amendment thereto and provide as promptly as reasonably possible to the Holders true and complete copies of all correspondence from and to the Commission relating to a Registration Statement (provided that, the Company shall excise any information contained therein which would constitute material non-public information regarding the Company or any of its Subsidiaries), and (iv) comply in all material respects with the applicable provisions of the Securities Act and the Exchange Act with respect to the disposition of all Registrable Securities covered by a Registration Statement during the applicable period in accordance (subject to the terms of this Agreement) with the intended methods of disposition by the Holders thereof set forth in such Registration Statement as so amended or in such Prospectus as so supplemented.

(c) If during the Effectiveness Period, the number of Registrable Securities at any time exceeds 100% of the number of shares of Common Stock then registered in a Registration Statement, then the Company shall file as soon as reasonably practicable, but in any case prior to the applicable Filing Date, an additional Registration Statement covering the resale by the Holders of not less than the number of such Registrable Securities.

(d) Notify the Holders of Registrable Securities to be sold (which notice shall, pursuant to clauses (iii) through (vi) hereof, be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made) as promptly as reasonably possible (and, in the case of (i)(A) below, not less than one (1) Trading Day prior to such filing) and (if requested by any such Person) confirm such notice in writing no later than one (1) Trading Day following the day (i)(A) when a Prospectus or any Prospectus supplement or post-effective amendment to a Registration Statement is proposed to be filed, (B) when the Commission notifies the Company whether there will be a "review" of such Registration Statement and whenever the Commission comments in writing on such Registration Statement, and (C) with respect to a Registration Statement or any post-effective amendment, when the same has become effective, (ii) of any request by the Commission or any other federal or state governmental authority for amendments or supplements to a Registration Statement or Prospectus or for additional information, (iii) of the issuance by the Commission or any other federal or state governmental authority of any stop order suspending the effectiveness of a Registration Statement covering any or all of the Registrable Securities or the initiation of any Proceedings for that purpose, (iv) of the receipt by the Company of any notification with respect to the suspension of the qualification or exemption from qualification of any of the Registrable Securities for sale in any jurisdiction, or the initiation or threatening of any Proceeding for such purpose, (v) of the occurrence of any event or passage of time that makes the financial statements included in a Registration Statement ineligible for inclusion therein or any statement made in a Registration Statement or Prospectus or any document incorporated or deemed to be incorporated therein by reference untrue in any material respect or that requires any revisions to a Registration Statement, Prospectus or other documents so that, in the case of a Registration Statement or the Prospectus, as the case may be, it will not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, and (vi) of the occurrence or existence of any pending corporate development with respect to the Company that the Company believes may be material and that, in the determination of the Company, makes it not in the best interest of the Company to allow continued availability of a Registration Statement or Prospectus; provided, however, that in no event shall any such notice contain any information which would constitute material, non-public information regarding the Company or any of its Subsidiaries.

(e) Use its commercially reasonable efforts to avoid the issuance of, or, if issued, obtain the withdrawal of (i) any order stopping or suspending the effectiveness of a Registration Statement, or (ii) any suspension of the qualification (or exemption from qualification) of any of the Registrable Securities for sale in any jurisdiction, at the earliest practicable moment.

(f) Furnish to each Holder, without charge, at least one conformed copy of each such Registration Statement and each amendment thereto, including financial statements and schedules, all documents incorporated or deemed to be incorporated therein by reference to the extent requested by such Person, and all exhibits to the extent requested by such Person (including those previously furnished or incorporated by reference) promptly after the filing of such documents with the Commission, provided that any such item which is available on the EDGAR system (or successor thereto) need not be furnished in physical form.

(g) Subject to the terms of this Agreement, the Company hereby consents to the use of such Prospectus and each amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Registrable Securities covered by such Prospectus and any amendment or supplement thereto, except after the giving of any notice pursuant to Section 3(d).

(h) Prior to any resale of Registrable Securities by a Holder, use its commercially reasonable efforts to register or qualify or cooperate with the selling Holders in connection with the registration or qualification (or exemption from the registration or qualification) of such Registrable Securities for the resale by the Holder under the securities or Blue Sky laws of such jurisdictions within the United States as any Holder reasonably requests in writing, to keep each registration or qualification (or exemption therefrom) effective during the Effectiveness Period and to do any and all other acts or things reasonably necessary to enable the disposition in such jurisdictions of the Registrable Securities covered by each Registration Statement, provided that the Company shall not be required to qualify generally to do business in any jurisdiction where it is not then so qualified, subject the Company to any material tax in any such jurisdiction where it is not then so subject or file a general consent to service of process in any such jurisdiction.

(i) If requested by a Holder, cooperate with such Holder to facilitate the timely preparation and delivery of certificates representing Registrable Securities to be delivered to a transferee pursuant to a Registration Statement, which certificates shall be free, to the extent permitted by the Purchase Agreement, of all restrictive legends, and to enable such Registrable Securities to be in such denominations and registered in such names as any such Holder may request.

(j) Upon the occurrence of any event contemplated by Section 3(d), if required to do so, as promptly as reasonably possible under the circumstances taking into account the Company's good faith assessment of any adverse consequences to the Company and its shareholders of the premature disclosure of such event, prepare a supplement or amendment, including a post-effective amendment, to a Registration Statement or a supplement to the related Prospectus or any document incorporated or deemed to be incorporated therein by reference, and file any other required document so that, as thereafter delivered, neither a Registration Statement nor such Prospectus will contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. If the Company notifies the Holders in accordance with clauses (iii) through (vi) of Section 3(d) above to suspend the use of any Prospectus until the requisite changes to such Prospectus have been made, then the Holders shall so suspend use of such Prospectus. The Company will use its commercially reasonable efforts to ensure that the use of the Prospectus may be resumed as promptly as is practicable. The Company shall be entitled to exercise its right under this Section 3(j) to suspend the availability of a Registration Statement and Prospectus, subject to the payment of partial liquidated damages otherwise required pursuant to Section 2(d), for a period not to exceed 60 calendar days (which need not be consecutive days) in any 12-month period.

(k) Otherwise use commercially reasonable efforts to comply with all applicable rules and regulations of the Commission under the Securities Act and the Exchange Act, including, without limitation, Rule 172 under the Securities Act, file any final Prospectus, including any supplement or amendment thereof, with the Commission pursuant to Rule 424 under the Securities Act, promptly inform the Holders in writing if, at any time during the Effectiveness Period, the Company does not satisfy the conditions specified in Rule 172 and, as a result thereof, the Holders are required to deliver a Prospectus in connection with any disposition of Registrable Securities and take such other actions as may be reasonably necessary to facilitate the registration of the Registrable Securities hereunder.

(l) The Company shall use its commercially reasonable efforts to maintain eligibility for use of Form S-3 (or any successor form thereto) for the registration of the resale of the Registrable Securities.

(m) The Company may require each selling Holder to furnish to the Company a certified statement as to the number of shares of Common Stock beneficially owned by such Holder and, if required by the Commission, the natural persons thereof that have voting and dispositive control over the shares. During any periods that the Company is unable to meet its obligations hereunder with respect to the registration of the Registrable Securities solely because any Holder fails to furnish such information within three Trading Days of the Company's request, any liquidated damages that are accruing at such time as to such Holder only shall be tolled and any Event that may otherwise occur solely because of such delay shall be suspended as to such Holder only, until such information is delivered to the Company.

4. Registration Expenses. All fees and expenses incident to the performance of or compliance with, this Agreement by the Company shall be borne by the Company whether or not any Registrable Securities are sold pursuant to a Registration Statement. The fees and expenses referred to in the foregoing sentence shall include, without limitation, (i) all registration and filing fees (including, without limitation, fees and expenses of the Company's counsel and independent registered public accountants) (A) with respect to filings made with the Commission, (B) with respect to filings required to be made with any Trading Market on which the shares of Common Stock are then listed for trading, and (C) in compliance with applicable state securities or Blue Sky laws reasonably agreed to by the Company in writing (including, without limitation, fees and disbursements of counsel for the Company in connection with Blue Sky qualifications or exemptions of the Registrable Securities), (ii) printing expenses (including, without limitation, expenses of printing certificates for Registrable Securities), (iii) messenger, telephone and delivery expenses, (iv) fees and disbursements of counsel for the Company, (v) Securities Act liability insurance, if the Company so desires such insurance, and (vi) fees and expenses of all other Persons retained by the Company in connection with the consummation of the transactions contemplated by this Agreement. In addition, the Company shall be responsible for all of its internal expenses incurred in connection with the consummation of the transactions contemplated by this Agreement (including, without limitation, all salaries and expenses of its officers and employees performing legal or accounting duties), the expense of any annual audit and the fees and expenses incurred in connection with the listing of the Registrable Securities on any securities exchange as required hereunder. In no event shall the Company be responsible for any broker or similar commissions of any Holder or, except to the extent provided for in the Transaction Documents, any legal fees or other costs of the Holders.

5. Indemnification.

(a) Indemnification by the Company. The Company shall, notwithstanding any termination of this Agreement, indemnify and hold harmless each Holder, the officers, directors, members, partners, agents, brokers (including brokers who offer and sell Registrable Securities as principal as a result of a pledge or any failure to perform under a margin call of shares of Common Stock), investment advisors and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each of them, each Person who controls any such Holder (within the meaning of Section 15 of the Securities Act or Section 20 of the Exchange Act) and the officers, directors, members, shareholders, partners, agents and employees (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title) of each such controlling Person, to the fullest extent permitted by applicable law, from and against any and all losses, claims, damages, liabilities, costs (including, without limitation, reasonable attorneys' fees) and expenses (collectively, "Losses"), as incurred, arising out of or relating to (1) any untrue or alleged untrue statement of a material fact contained in a Registration Statement, any Prospectus or any form of prospectus or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading or (2) any violation or alleged violation by the Company of the Securities Act, the Exchange Act or any state securities law, or any rule or regulation thereunder, in connection with the performance of its obligations under this Agreement, except to the extent, but only to the extent, that (i) such untrue statements or omissions are based solely upon information regarding such Holder furnished in writing to the Company by such Holder expressly for use therein, or to the extent that such information relates to such Holder or such Holder's proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in a Registration Statement, such Prospectus or in any amendment or supplement thereto (it being understood that the Holder has approved Annex A hereto for this purpose) or (ii) in the case of an occurrence of an event of the type specified in Section 3(d)(iii)-(vi), the use by such Holder of an outdated, defective or otherwise unavailable Prospectus after the Company has notified such Holder in writing that the Prospectus is outdated, defective or otherwise unavailable for use by such Holder and prior to the receipt by such Holder of the Advice contemplated in Section 6(c). The Company shall notify the Holders promptly of the institution, threat or assertion of any Proceeding arising from or in connection with the transactions contemplated by this Agreement of which the Company is aware. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such indemnified person and shall survive the transfer of any Registrable Securities by any of the Holders in accordance with Section 6(f).

(b) Indemnification by Holders. Each Holder shall, severally and not jointly, indemnify and hold harmless the Company, its directors, officers, agents and employees, each Person who controls the Company (within the meaning of Section 15 of the Securities Act and Section 20 of the Exchange Act), and the directors, officers, agents or employees of such controlling Persons (and any other Persons with a functionally equivalent role of a Person holding such titles, notwithstanding a lack of such title or any other title), to the fullest extent permitted by applicable law, from and against all Losses, as incurred, to the extent arising out of or based solely upon: any untrue or alleged untrue statement of a material fact contained in any Registration Statement, any Prospectus, or in any amendment or supplement thereto or in any preliminary prospectus, or arising out of or relating to any omission or alleged omission of a material fact required to be stated therein or necessary to make the statements therein (in the case of any Prospectus or supplement thereto, in light of the circumstances under which they were made) not misleading (i) to the extent, but only to the extent, that such untrue statement or omission is contained in any information so furnished in writing by such Holder to the Company expressly for inclusion in such Registration Statement or such Prospectus or (ii) to the extent, but only to the extent, that such information relates to such Holder's information provided in the Selling Shareholder Questionnaire or the proposed method of distribution of Registrable Securities and was reviewed and expressly approved in writing by such Holder expressly for use in a Registration Statement (it being understood that the Holder has approved Annex A hereto for this purpose), such Prospectus or in any amendment or supplement thereto. In no event shall the liability of a selling Holder be greater in amount than the dollar amount of the proceeds (net of all expenses paid by such Holder in connection with any claim relating to this Section 5 and the amount of any damages such Holder has otherwise been required to pay by reason of such untrue statement or omission) received by such Holder upon the sale of the Registrable Securities included in the Registration Statement giving rise to such indemnification obligation.

(c) Conduct of Indemnification Proceedings. If any Proceeding shall be brought or asserted against any Person entitled to indemnity hereunder (an "Indemnified Party"), such Indemnified Party shall promptly notify the Person from whom indemnity is sought (the "Indemnifying Party") in writing, and the Indemnifying Party shall have the right to assume the defense thereof, including the employment of counsel reasonably satisfactory to the Indemnified Party and the payment of all fees and expenses incurred in connection with defense thereof, provided that the failure of any Indemnified Party to give such notice shall not relieve the Indemnifying Party of its obligations or liabilities pursuant to this Agreement, except (and only) to the extent that it shall be finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) that such failure shall have materially and adversely prejudiced the Indemnifying Party.

An Indemnified Party shall have the right to employ separate counsel in any such Proceeding and to participate in the defense thereof, but the fees and expenses of such counsel shall be at the expense of such Indemnified Party or Parties unless: (1) the Indemnifying Party has agreed in writing to pay such fees and expenses, (2) the Indemnifying Party shall have failed promptly to assume the defense of such Proceeding and to employ counsel reasonably satisfactory to such Indemnified Party in any such Proceeding, or (3) the named parties to any such Proceeding (including any impleaded parties) include both such Indemnified Party and the Indemnifying Party, and counsel to the Indemnified Party shall reasonably believe that a material conflict of interest is likely to exist if the same counsel were to represent such Indemnified Party and the Indemnifying Party (in which case, if such Indemnified Party notifies the Indemnifying Party in writing that it elects to employ separate counsel at the expense of the Indemnifying Party, the Indemnifying Party shall not have the right to assume the defense thereof and the reasonable fees and expenses of no more than one separate counsel shall be at the expense of the Indemnifying Party). The Indemnifying Party shall not be liable for any settlement of any such Proceeding effected without its written consent, which consent shall not be unreasonably withheld or delayed. No Indemnifying Party shall, without the prior written consent of the Indemnified Party, effect any settlement of any pending Proceeding in respect of which any Indemnified Party is a party, unless such settlement includes an unconditional release of such Indemnified Party from all liability on claims that are the subject matter of such Proceeding.

Subject to the terms of this Agreement, all reasonable fees and expenses of the Indemnified Party (including reasonable fees and expenses to the extent incurred in connection with investigating or preparing to defend such Proceeding in a manner not inconsistent with this Section) shall be paid to the Indemnified Party, as incurred, within ten Trading Days of written notice thereof to the Indemnifying Party, provided that the Indemnified Party shall promptly reimburse the Indemnifying Party for that portion of such fees and expenses applicable to such actions for which such Indemnified Party is finally determined by a court of competent jurisdiction (which determination is not subject to appeal or further review) not to be entitled to indemnification hereunder.

(d) Contribution. If the indemnification under Section 5(a) or 5(b) is unavailable to an Indemnified Party or insufficient to hold an Indemnified Party harmless for any Losses, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party, in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and Indemnified Party in connection with the actions, statements or omissions that resulted in such Losses as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether any action in question, including any untrue or alleged untrue statement of a material fact or omission or alleged omission of a material fact, has been taken or made by, or relates to information supplied by, such Indemnifying Party or Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such action, statement or omission. The amount paid or payable by a party as a result of any Losses shall be deemed to include, subject to the limitations set forth in this Agreement, any reasonable attorneys' or other fees or expenses incurred by such party in connection with any Proceeding to the extent such party would have been indemnified for such fees or expenses if the indemnification provided for in this Section was available to such party in accordance with its terms.

The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 5(d) were determined by pro rata allocation or by any other method of allocation that does not take into account the equitable considerations referred to in the immediately preceding paragraph. In no event shall the contribution obligation of a Holder of Registrable Securities be greater in amount than the dollar amount of the proceeds (net of all expenses paid by such Holder in connection with any claim relating to this Section 5 and the amount of any damages such Holder has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission) received by it upon the sale of the Registrable Securities giving rise to such contribution obligation.

The indemnity and contribution agreements contained in this Section are in addition to any liability that the Indemnifying Parties may have to the Indemnified Parties.

6. Miscellaneous.

(a) Remedies. In the event of a breach by the Company or by a Holder of any of their respective obligations under this Agreement, each Holder or the Company, as the case may be, in addition to being entitled to exercise all rights granted by law and under this Agreement, including recovery of damages, shall be entitled to specific performance of its rights under this Agreement. Each of the Company and each Holder agrees that monetary damages would not provide adequate compensation for any losses incurred by reason of a breach by it of any of the provisions of this Agreement and hereby further agrees that, in the event of any action for specific performance in respect of such breach, it shall not assert or shall waive the defense that a remedy at law would be adequate.

(b) No Piggyback on Registrations; Prohibition on Filing Other Registration Statements. Neither the Company nor any of its security holders (other than the Holders in such capacity pursuant hereto) may include securities of the Company in any Registration Statements other than the Registrable Securities. The Company shall not file any other registration statements, other than with respect to an Exempt Issuance (as defined in the Purchase Agreement), until all Registrable Securities are registered pursuant to a Registration Statement that is declared effective by the Commission, provided that this Section 6(b) shall not prohibit the Company from filing amendments to registration statements filed prior to the date of this Agreement so long as no new securities are registered on any such existing registration statements.

(c) Discontinued Disposition. By its acquisition of Registrable Securities, each Holder agrees that, upon receipt of a notice from the Company of the occurrence of any event of the kind described in Section 3(d)(iii) through (vi), such Holder will forthwith discontinue disposition of such Registrable Securities under a Registration Statement until it is advised in writing (the "Advice") by the Company that the use of the applicable Prospectus (as it may have been supplemented or amended) may be resumed. The Company will use its best efforts to ensure that the use of the Prospectus may be resumed as promptly as is practicable. The Company agrees and acknowledges that any periods during which the Holder is required to discontinue the disposition of the Registrable Securities hereunder shall be subject to the provisions of Section 2(d).

(d) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the same shall be in writing and signed by the Company and the Holders of 50.1% or more of the then outstanding Registrable Securities (for purposes of clarification, this includes any Registrable Securities issuable upon exercise or conversion of any Security), provided that, if any amendment, modification or waiver disproportionately and adversely impacts a Holder (or group of Holders), the consent of such disproportionately impacted Holder (or group of Holders) shall be required. If a Registration Statement does not register all of the Registrable Securities pursuant to a waiver or amendment done in compliance with the previous sentence, then the number of Registrable Securities to be registered for each Holder shall be reduced pro rata among all Holders and each Holder shall have the right to designate which of its Registrable Securities shall be omitted from such Registration Statement. Notwithstanding the foregoing, a waiver or consent to depart from the provisions hereof with respect to a matter that relates exclusively to the rights of a Holder or some Holders and that does not directly or indirectly affect the rights of other Holders may be given only by such Holder or Holders of all of the Registrable Securities to which such waiver or consent relates; provided, however, that the provisions of this sentence may not be amended, modified, or supplemented except in accordance with the provisions of the first sentence of this Section 6(d). No consideration shall be offered or paid to any Person to amend or consent to a waiver or modification of any provision of this Agreement unless the same consideration also is offered to all of the parties to this Agreement.

(e) Notices. Any and all notices or other communications or deliveries required or permitted to be provided hereunder shall be delivered as set forth in the Purchase Agreement.

(f) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and permitted assigns of each of the parties and shall inure to the benefit of each Holder. The Company may not assign (except by merger) its rights or obligations hereunder without the prior written consent of all of the Holders of the then outstanding Registrable Securities. Each Holder may assign their respective rights hereunder in the manner and to the Persons as permitted under Section 5.7 of the Purchase Agreement.

(g) No Inconsistent Agreements. Neither the Company nor any of its Subsidiaries has entered, as of the date hereof, nor shall the Company or any of its Subsidiaries, on or after the date of this Agreement, enter into any agreement with respect to its securities, that would have the effect of impairing the rights granted to the Holders in this Agreement or otherwise conflicts with the provisions hereof. Except as set forth on Schedule 6(i), neither the Company nor any of its Subsidiaries has previously entered into any agreement granting any registration rights with respect to any of its securities to any Person that have not been satisfied in full.

(h) Execution and Counterparts. This Agreement may be executed in two or more counterparts, all of which when taken together shall be considered one and the same agreement and shall become effective when counterparts have been signed by each party and delivered to the other party, it being understood that both parties need not sign the same counterpart. In the event that any signature is delivered by facsimile transmission or by e-mail delivery of a ".pdf" format data file, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) with the same force and effect as if such facsimile or ".pdf" signature page were an original thereof.

(i) Governing Law. All questions concerning the construction, validity, enforcement and interpretation of this Agreement shall be determined in accordance with the provisions of the Purchase Agreement.

(j) Cumulative Remedies. The remedies provided herein are cumulative and not exclusive of any other remedies provided by law.

(k) Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction to be invalid, illegal, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions set forth herein shall remain in full force and effect and shall in no way be affected, impaired or invalidated, and the parties hereto shall use their commercially reasonable efforts to find and employ an alternative means to achieve the same or substantially the same result as that contemplated by such term, provision, covenant or restriction. It is hereby stipulated and declared to be the intention of the parties that they would have executed the remaining terms, provisions, covenants and restrictions without including any of such that may be hereafter declared invalid, illegal, void or unenforceable.

(l) Headings. The headings in this Agreement are for convenience only, do not constitute a part of the Agreement and shall not be deemed to limit or affect any of the provisions hereof.

(m) Independent Nature of Holders' Obligations and Rights. The obligations of each Holder hereunder are several and not joint with the obligations of any other Holder hereunder, and no Holder shall be responsible in any way for the performance of the obligations of any other Holder hereunder. Nothing contained herein or in any other agreement or document delivered at any closing, and no action taken by any Holder pursuant hereto or thereto, shall be deemed to constitute the Holders as a partnership, an association, a joint venture or any other kind of group or entity, or create a presumption that the Holders are in any way acting in concert or as a group or entity with respect to such obligations or the transactions contemplated by this Agreement or any other matters, and the Company acknowledges that the Holders are not acting in concert or as a group, and the Company shall not assert any such claim, with respect to such obligations or transactions. Each Holder shall be entitled to protect and enforce its rights, including without limitation the rights arising out of this Agreement, and it shall not be necessary for any other Holder to be joined as an additional party in any proceeding for such purpose. The use of a single agreement with respect to the obligations of the Company contained was solely in the control of the Company, not the action or decision of any Holder, and was done solely for the convenience of the Company and not because it was required or requested to do so by any Holder. It is expressly understood and agreed that each provision contained in this Agreement is between the Company and a Holder, solely, and not between the Company and the Holders collectively and not between and among Holders.

(n) Termination. This Agreement shall be effective as of the Closing, and if the Closing has not occurred on or prior to fifth (5th) Trading Day following the date of the Purchase Agreement, unless otherwise mutually agreed, then this Agreement shall be null and void.

****

(Signature Pages Follow)

IN WITNESS WHEREOF, the parties have executed this Registration Rights Agreement as of the date first written above.

CREATIVE REALITIES, INC.

By: _____
Name:
Title:

[SIGNATURE PAGE OF HOLDERS FOLLOWS]

[SIGNATURE PAGE OF HOLDERS TO CREX RRA]

Name of Holder: _____

Signature of Authorized Signatory of Holder: _____

Name of Authorized Signatory: _____

Title of Authorized Signatory: _____

[SIGNATURE PAGES CONTINUE]

Annex A

Plan of Distribution

Each Selling Shareholder (the "Selling Shareholder") of the securities and any of their pledgees, assignees and successors-in-interest may, from time to time, sell any or all of their securities covered hereby on the principal Trading Market or any other stock exchange, market or trading facility on which the securities are traded or in private transactions. These sales may be at fixed or negotiated prices. A Selling Shareholder may use any one or more of the following methods when selling securities:

- ordinary brokerage transactions and transactions in which the broker-dealer solicits purchasers;
- block trades in which the broker-dealer will attempt to sell the securities as agent but may position and resell a portion of the block as principal to facilitate the transaction;
- purchases by a broker-dealer as principal and resale by the broker-dealer for its account;
- an exchange distribution in accordance with the rules of the applicable exchange;
- privately negotiated transactions;
- settlement of short sales;
- in transactions through broker-dealers that agree with the Selling Shareholders to sell a specified number of such securities at a stipulated price per security;
- through the writing or settlement of options or other hedging transactions, whether through an options exchange or otherwise;
- a combination of any such methods of sale; or
- any other method permitted pursuant to applicable law.

The Selling Shareholders may also sell securities under Rule 144 or any other exemption from registration under the Securities Act of 1933, as amended (the "Securities Act"), if available, rather than under this prospectus.

Broker-dealers engaged by the Selling Shareholders may arrange for other brokers-dealers to participate in sales. Broker-dealers may receive commissions or discounts from the Selling Shareholders (or, if any broker-dealer acts as agent for the purchaser of securities, from the purchaser) in amounts to be negotiated, but, except as set forth in a supplement to this Prospectus, in the case of an agency transaction not in excess of a customary brokerage commission in compliance with FINRA Rule 2121; and in the case of a principal transaction a markup or markdown in compliance with FINRA Rule 2121.

In connection with the sale of the securities or interests therein, the Selling Shareholders may enter into hedging transactions with broker-dealers or other financial institutions, which may in turn engage in short sales of the securities in the course of hedging the positions they assume. The Selling Shareholders may also sell securities short and deliver these securities to close out their short positions, or loan or pledge the securities to broker-dealers that in turn may sell these securities. The Selling Shareholders may also enter into option or other transactions with broker-dealers or other financial institutions or create one or more derivative securities which require the delivery to such broker-dealer or other financial institution of securities offered by this prospectus, which securities such broker-dealer or other financial institution may resell pursuant to this prospectus (as supplemented or amended to reflect such transaction).

The Selling Shareholders and any broker-dealers or agents that are involved in selling the securities may be deemed to be "underwriters" within the meaning of the Securities Act in connection with such sales. In such event, any commissions received by such broker-dealers or agents and any profit on the resale of the securities purchased by them may be deemed to be underwriting commissions or discounts under the Securities Act. Each Selling Shareholders has informed the Company that it does not have any written or oral agreement or understanding, directly or indirectly, with any person to distribute the securities.

The Company is required to pay certain fees and expenses incurred by the Company incident to the registration of the securities. The Company has agreed to indemnify the Selling Shareholders against certain losses, claims, damages and liabilities, including liabilities under the Securities Act.

We agreed to keep this prospectus effective until the earlier of (i) the date on which the securities may be resold by the Selling Shareholders without registration and without regard to any volume or manner-of-sale limitations by reason of Rule 144, without the requirement for the Company to be in compliance with the current public information under Rule 144 under the Securities Act or any other rule of similar effect or (ii) all of the securities have been sold pursuant to this prospectus or Rule 144 under the Securities Act or any other rule of similar effect. The resale securities will be sold only through registered or licensed brokers or dealers if required under applicable state securities laws. In addition, in certain states, the resale securities covered hereby may not be sold unless they have been registered or qualified for sale in the applicable state or an exemption from the registration or qualification requirement is available and is complied with.

Under applicable rules and regulations under the Exchange Act, any person engaged in the distribution of the resale securities may not simultaneously engage in market making activities with respect to the shares of Common Stock for the applicable restricted period, as defined in Regulation M, prior to the commencement of the distribution. In addition, the Selling Shareholders will be subject to applicable provisions of the Exchange Act and the rules and regulations thereunder, including Regulation M, which may limit the timing of purchases and sales of the shares of common stock by the Selling Shareholders or any other person. We will make copies of this prospectus available to the Selling Shareholders and have informed them of the need to deliver a copy of this prospectus to each purchaser at or prior to the time of the sale (including by compliance with Rule 172 under the Securities Act).

SELLING SHAREHOLDERS

The shares of common stock being offered by the selling shareholders are those previously issued to the selling shareholders, and those issuable to the selling shareholders, upon exercise of the warrants. For additional information regarding the issuances of those shares of common stock and warrants, see “Private Placement of Shares of Common Stock and Warrants” above. We are registering the shares of common stock in order to permit the selling shareholders to offer the shares for resale from time to time. Except for the ownership of the shares of common stock and the warrants, the selling shareholders have not had any material relationship with us within the past three years.

The table below lists the selling shareholders and other information regarding the beneficial ownership of the shares of common stock by each of the selling shareholders. The second column lists the number of shares of common stock beneficially owned by each selling shareholder, based on its ownership of the shares of common stock and warrants, as of _____, 2022, assuming exercise of the warrants held by the selling shareholders on that date, without regard to any limitations on exercises.

The third column lists the shares of common stock being offered by this prospectus by the selling shareholders.

In accordance with the terms of a registration rights agreement with the selling shareholders, this prospectus generally covers the resale of the sum of (i) the number of shares of common stock issued to the selling shareholders in the “Private Placement of Shares of Common Stock and Warrants” described above and (ii) the maximum number of shares of common stock issuable upon exercise of the related warrants, determined as if the outstanding warrants were exercised in full as of the trading day immediately preceding the date this registration statement was initially filed with the SEC, each as of the trading day immediately preceding the applicable date of determination and all subject to adjustment as provided in the registration right agreement, without regard to any limitations on the exercise of the warrants. The fourth column assumes the sale of all of the shares offered by the selling shareholders pursuant to this prospectus.

Under the terms of the warrants [and other warrants held by the selling shareholders], a selling shareholder may not exercise [any such] warrants to the extent such exercise would cause such selling shareholder, together with its affiliates and attribution parties, to beneficially own a number of shares of common stock which would exceed 4.99% or 9.99%, as applicable, of our then outstanding shares of common stock following such exercise, excluding for purposes of such determination shares of common stock issuable upon exercise of such warrants which have not been exercised. The number of shares in the second and fourth columns do not reflect this limitation. The selling shareholders may sell all, some or none of their shares in this offering. See “Plan of Distribution.”

Name of Selling Shareholder	Number of Shares of Common Stock Owned Prior to Offering	Maximum Number of Shares of Common Stock to be Sold Pursuant to this Prospectus	Number of Shares of Common Stock Owned After Offering

Annex C

CREATIVE REALITIES, INC.

Selling Shareholder Notice and Questionnaire

The undersigned beneficial owner of shares of common stock (the "Registrable Securities") of Creative Realities, Inc., a Minnesota corporation (the "Company"), understands that the Company has filed or intends to file with the Securities and Exchange Commission (the "Commission") a registration statement (the "Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Registrable Securities, in accordance with the terms of the Registration Rights Agreement (the "Registration Rights Agreement") to which this document is annexed. A copy of the Registration Rights Agreement is available from the Company upon request at the address set forth below. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Rights Agreement.

Certain legal consequences arise from being named as a selling shareholder in the Registration Statement and the related prospectus. Accordingly, holders and beneficial owners of Registrable Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling shareholder in the Registration Statement and the related prospectus.

NOTICE

The undersigned beneficial owner (the "Selling Shareholder") of Registrable Securities hereby elects to include the Registrable Securities owned by it in the Registration Statement.

The undersigned hereby provides the following information to the Company and represents and warrants that such information is accurate:

QUESTIONNAIRE

1. Name.

(a) Full Legal Name of Selling Shareholder

_____

(b) Full Legal Name of Registered Holder (if not the same as (a) above) through which Registrable Securities are held:

_____

(c) Full Legal Name of Natural Control Person (which means a natural person who directly or indirectly alone or with others has power to vote or dispose of the securities covered by this Questionnaire):

_____

2. Address for Notices to Selling Shareholder:

_____

_____

_____

Telephone: _____

Fax: _____

Contact Person: _____

3. Broker-Dealer Status:

(a) Are you a broker-dealer?

Yes ☐ No ☐

(b) If "yes" to Section 3(a), did you receive your Registrable Securities as compensation for investment banking services to the Company?

Yes ☐ No ☐

Note: If "no" to Section 3(b), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

(c) Are you an affiliate of a broker-dealer?

Yes ☐ No ☐

(d) If you are an affiliate of a broker-dealer, do you certify that you purchased the Registrable Securities in the ordinary course of business, and at the time of the purchase of the Registrable Securities to be resold, you had no agreements or understandings, directly or indirectly, with any person to distribute the Registrable Securities?

Yes ☐ No ☐

Note: If "no" to Section 3(d), the Commission's staff has indicated that you should be identified as an underwriter in the Registration Statement.

4. Beneficial Ownership of Securities of the Company Owned by the Selling Shareholder.

Except as set forth below in this Item 4, the undersigned is not the beneficial or registered owner of any securities of the Company other than the securities issuable pursuant to the Purchase Agreement.

(a) Type and Amount of other securities beneficially owned by the Selling Shareholder:

_____

_____

5. Relationships with the Company:

Except as set forth below, neither the undersigned nor any of its affiliates, officers, directors or principal equity holders (owners of 5% of more of the equity securities of the undersigned) has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

_____

_____

The undersigned agrees to promptly notify the Company of any material inaccuracies or changes in the information provided herein that may occur subsequent to the date hereof at any time while the Registration Statement remains effective; provided, that the undersigned shall not be required to notify the Company of any changes to the number of securities held or owned by the undersigned or its affiliates.

By signing below, the undersigned consents to the disclosure of the information contained herein in its answers to Items 1 through 5 and the inclusion of such information in the Registration Statement and the related prospectus and any amendments or supplements thereto. The undersigned understands that such information will be relied upon by the Company in connection with the preparation or amendment of the Registration Statement and the related prospectus and any amendments or supplements thereto.

IN WITNESS WHEREOF the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Date: _____

Beneficial Owner: _____

By: _____
Name:
Title:

PLEASE EMAIL A .PDF COPY OF THE COMPLETED AND EXECUTED NOTICE AND QUESTIONNAIRE TO: Will Logan at will.logan@cri.com

Exhibit 99.1

Creative Realities Announces $11 Million Private Placement Priced At-The-Market Under Nasdaq Rules

LOUISVILLE, Ky. Feb. 3, 2022 /PRNewswire/ -- Creative Realities, Inc. (“Creative Realities,” “CRI,” or the “Company”) (NASDAQ: CREX, CREXW), today announced it has entered into definitive agreements for a private placement with a U.S. institutional investor of (i) 1,315,000 shares of common stock together with warrants (the “Common Warrants”) to purchase up to 1,315,000 shares of common stock and (ii) 5,851,505 pre-funded warrants (the “Pre-Funded Warrants”), with each Pre-Funded Warrant exercisable for one share of common stock, together with Common Warrants to purchase up to 5,851,505 shares of common stock. Each share of common stock and accompanying Common Warrant are being sold together at a combined offering price of $1.535, and each Pre-funded Warrant and accompanying Common Warrant are being sold together at a combined offering price of $1.5349. The Pre-Funded Warrants will be funded in full at closing except for a nominal exercise price of $0.0001 and are immediately exercisable at any time until all of the Pre-Funded Warrants are exercised in full. The Common Warrants will have an exercise price of $1.41 per share, are exercisable immediately and will have a term of five years from the date of issuance (collectively, the “Private Placement”).

The Company expects to use the net proceeds from the Private Placement to satisfy a portion of the cash component of the merger consideration payable to stockholders of Reflect Systems, Inc. (“Reflect”) upon closing the previously announced acquisition. The Company expects to finalize the terms of an amended loan and security agreement with its current creditor, under which the Company expects to receive an additional $10 million in secured term debt financing to provide the remaining capital necessary to consummate its acquisition of Reflect. The Company anticipates closing such debt financing and the acquisition of Reflect on or about February 15, 2022.

The Private Placement is expected to close on or about February 4, 2022, subject to the satisfaction of customary closing conditions.

A.G.P./Alliance Global Partners is acting as the sole placement agent for the Private Placement.

The Private Placement is being made in the United States pursuant to the exemption from securities registration afforded by Section 4(a)(2) of the Securities Act of 1933, as amended, and Rule 506 of Regulation D as promulgated by the United States Securities and Exchange Commission (SEC). The securities to be sold in the Private Placement have not been registered under the Securities Act of 1933, as amended, or applicable state securities laws, and accordingly may not be offered or sold in the United States absent registration with the SEC or an applicable exemption from such registration requirements. The Company has agreed to file a registration statement with the SEC covering the resale of the shares of common stock issued in the Private Placement, as well as the shares of common stock issuable upon exercise of the Common Warrants and Pre-Funded Warrants issued in the Private Placement.

Cautionary Note on Forward-Looking Statements

This communication contains “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995. Forward-looking statements may relate to future results, strategy and plans of Creative Realities and Reflect (collectively, the “Companies”) (including certain projections and business trends, and statements, which may be identified by the use of the words “plans”, “expects” or “does not expect”, “estimated”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might”, “projects”, “will” or “will be taken”, “occur” or “be achieved”). Forward-looking statements are based on the opinions and estimates of management of the Companies as of the date such statements are made, and they are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause the actual results, level of activity, performance or achievements to be materially different from those expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to, Creative Realities’ ability to complete its pending merger transaction with Reflect (the “Proposed Transaction”) and to satisfy the conditions to complete the Proposed Transaction, including obtaining financing sufficient to pay the cash merger consideration payable in the Proposed Transaction. Readers are cautioned not to place undue reliance upon any forward-looking statements, which speak only as of the date made. These forward-looking statements are made only as of the date hereof, and neither Company undertakes any obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. Consummation of the proposed merger transaction is subject to satisfaction of various closing conditions set forth in the merger agreement governing the transaction.

Additional Information about the Merger and Where to Find It

In connection with the Proposed Transaction, Creative Realities has filed with the Securities and Exchange Commission a registration statement on Form S-4 that contains the combined Joint Proxy Statement/Prospectus.

WE URGE INVESTORS AND SECURITY HOLDERS TO READ THE REGISTRATION STATEMENT ON FORM S-4, THE JOINT PROXY STATEMENT/PROSPECTUS INCLUDED WITHIN THE REGISTRATION STATEMENT, AND ALL AMENDMENTS AND SUPPLEMENTS THERETO, AND ANY OTHER RELEVANT DOCUMENTS FILED OR TO BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION IN CONNECTION WITH THE PROPOSED TRANSACTION BECAUSE THESE DOCUMENTS DO AND WILL CONTAIN IMPORTANT INFORMATION ABOUT CREATIVE REALITIES, REFLECT, AND THE PROPOSED TRANSACTION.

Investors and security holders may obtain copies of these documents free of charge through the website maintained by the Securities and Exchange Commission at www.sec.gov or from Creative Realities at its website, http://www.cri.com. Documents filed with the Securities and Exchange Commission by Creative Realities will be available free of charge by directing a request by telephone or mail to Creative Realities, Inc., 13100 Magisterial Drive, Suite 100, Louisville, KY 40223; phone: (502) 791-8800.

Participants in the Solicitation

Creative Realities, Reflect and certain of their respective directors and executive officers may be deemed to be participants in the solicitation of proxies from the shareholders of Creative Realities in connection with the Proposed Transaction. Certain information regarding the interests of these participants and a description of their direct and indirect interests, by security holdings or otherwise, is included in the Joint Proxy Statement/Prospectus relating to the Proposed Transaction. Creative Realities’ directors and executive officers beneficially own approximately 11.05% of Creative Realities’ common stock.

Disclaimer; Non-Solicitation

This communication shall not constitute an offer to purchase, nor a solicitation of an offer to sell, subscribe for or buy, any securities or the solicitation of any vote in any jurisdiction pursuant to the Proposed Transaction or otherwise, nor shall there be any sale, issuance or transfer or securities in any jurisdiction in contravention of applicable law. No offer of securities shall be made except by means of a prospectus meeting the requirements of the Securities Act of 1933, as amended.

SOURCE Creative Realities, Inc.

Related Links

http://www.cri.com

Exhibit 99.2

RISK FACTORS

You should carefully review and consider the following risk factors in evaluating any investment in Creative Realities, Inc. ("Creative Realities") and the proposed merger (the "Merger") of Reflect Systems, Inc. ("Reflect") with and into CRI Acquisition Corporation, a wholly owned subsidiary of Creative Realities, as contemplated by that certain Agreement and Plan of Merger dated November 12, 2021 among such parties (as amended from time to time, the "Merger Agreement"). The following risk factors of Reflect and/or Creative Realities will also apply to the business and operations of the post-combination company following the completion of the Merger. Since the business of Creative Realities subsequent to completion of the Merger will include the business of Reflect, the risks relating to Reflect's business, including those included under "Risks Related to Reflect" will apply to the combined company. The occurrence of one or more of the events or circumstances described in these risk factors, alone, or in combination with other events or circumstances, may adversely affect the ability to complete or realize the anticipated benefits of the Merger, and may have a material adverse effect on the business, cash flows, financial condition, and results of operations of the combined company. You should carefully consider the following risk factors. Creative Realities and Reflect may face additional risks and uncertainties that are not presently known to them, or that they currently deem immaterial, which may also impair their businesses or financial condition. The following discussion should be read in conjunction with the financial statements and notes to the financial statements of Creative Realities and Reflect.

RISKS RELATED TO THE MERGER

The parties may not complete the Merger, which could negatively impact Creative Realities' stock price and future operations.

If the Merger is not completed for any reason, Creative Realities and Reflect may each be subjected to a number of material risks. The price of Creative Realities Shares may decline to the extent that the current market price of the Creative Realities Shares reflects a market assumption that the Merger will be completed. Some costs related to the Merger, such as legal, accounting, filing, printing and mailing, must be paid and expended even if the Merger is not completed. In addition, if the Merger is not completed and the Creative Realities' Board of Directors determines to seek another merger or business combination, there can be no assurance that the Board of Directors will be able to find a partner willing to agree to more attractive terms than those which have been negotiated for in the Merger.

The shares of common stock of Creative Realities ("Creative Realities Shares") issuable in the Merger (the "CREX Share Consideration") will be $4,666,667, with each share valued based on a $2.00 issuance price, which could be below or above the market value of the Creative Realities Shares immediately prior to the Closing.

Reflect and Creative Realities have agreed that the consideration in the Merger (the "Merger Consideration") will include $4,666,667 payable in Creative Realities Shares, and have agreed that Creative Realities will issue an aggregate of 2,333,334 Creative Realities Shares in the Merger, based upon an issuance price of $2.00 per share. The $2.00 issuance price may be higher or lower than the market price of Creative Realities Shares on the closing date of the Merger. If the $2.00 issuance price is lower than the current market price of the Creative Realities Shares on the closing date of the Merger, Reflect stockholders could have received more Creative Realities Shares if it were paid cash consideration for their Reflect Shares and purchased Creative Realities Shares on the market. Conversely, if the $2.00 issuance price is higher than the current market price of the Creative Realities Shares on the closing date of the Merger, Reflect Stockholders would have received less Creative Realities Shares if it were paid cash consideration for their Reflect Shares and purchased Creative Realities Shares on the market.

If the conditions to the Merger are not met, the Merger may not occur.

Even if the Merger is approved by the stockholders of Reflect and the shareholders of Creative Realities, specified conditions must be satisfied or waived to complete the Merger. Neither Creative Realities nor Reflect can assure you that all the conditions will be satisfied or waived. If the conditions are not satisfied or waived, the Merger may not occur or may be delayed, and Creative Realities and Reflect each may lose some or all the intended benefits of the Merger.

The Merger may not occur if Creative Realities is not satisfied with the results of due diligence regarding Reflect customers.

Creative Realities' satisfaction with the results of its due diligence regarding Reflect's customers is a condition that must be satisfied or waived to complete the Merger. Neither Creative Realities nor Reflect can assure you that this condition will be satisfied or waived. If this condition is not satisfied or waived, the Merger may not occur or may be delayed, and Creative Realities and Reflect each may lose some or all the intended benefits of the Merger.

A Reflect stockholder must retain the Creative Realities Shares that such stockholder receives in the Merger for three to three and a half years, or he, she or it will not receive any payment as part of the conditional merger consideration set forth in the Merger Agreement (the "Additional Contingent Merger Consideration").

Each Reflect stockholder's right to receive the Additional Contingent Merger Consideration is contingent upon such stockholder's retention of the Creative Realities Shares issued in the Merger. This retention period will be three years after the closing of the Merger, or three and a half years after the closing of the Merger if Creative Realities is eligible to, and exercises, a six-month extension. If a Reflect stockholder transfers such Creative Realities Shares prior to such date, such stockholder will not be entitled to receive any of the Additional Contingent Merger Consideration (subject to limited exceptions).

The rights to receive the Additional Contingent Merger Consideration are non-transferable and non-tradeable.

Reflect stockholders are not permitted to sell, assign, transfer, pledge, encumber, or in any other manner dispose of their right to receive the Additional Contingent Merger Consideration, in whole or in part, other than in certain limited circumstances. As a result, Reflect stockholders will not realize any value from the Additional Merger Consideration for at least three years, if ever.

The amount of the Additional Contingent Merger Consideration depends on events that are not determinable in advance of the Closing.

Creative Realities has agreed in the Merger Agreement to pay to recipients the Additional Contingent Merger Consideration if the value of the CREX Shares Consideration at the end of a three-year period (such final date, the "Measurement Date") is less than $6.40 per share, or $7.20 per share if certain Reflect customers collectively achieve (i.e. account for) over 85,000 billable devices online at any time on or before December 31, 2022 (such applicable amount, the "Guaranteed Price"). The Guaranteed Price will increase by $1.00 per share if Creative Realities exercises a six-month extension option, and the Extension Threshold Price (as described below) is less than 80% of the Guaranteed Price.

The Additional Contingent Merger Consideration payable to a Reflect stockholder will be an amount equal to (i) the number of Creative Realities Shares issued in the Merger to the Reflect stockholder, multiplied by (ii) the difference between the Guaranteed Price and the Floor Price. The "Floor Price" means the average closing per share of Creative Realities common stock as reported on Nasdaq (or such NYSE) in the 15 consecutive trading days period ending on the Measurement Date; provided that in the event of delisting from Nasdaq (or NYSE) or a bankruptcy of Creative Realities, the "Floor Price" is $2.00 per share.

The amount of the Additional Contingent Merger Consideration payable to a Reflect stockholder is not currently known, and Reflect stockholders will not be able to realize, or determine the amount of, such consideration until the Measurement Date.

The rights to receive the Additional Contingent Merger Consideration are not guaranteed or secured by any assets of Creative Realities or Reflect, and Reflect stockholders are unsecured creditors with respect to any claims to the Additional Contingent Merger Consideration.

Reflect stockholders, their permitted successors and assigns will have no legal or equitable rights, interests or claims in any property or assets of Creative Realities or Reflect with respect to the payment of any Additional Merger Consideration. Reflect stockholders have no more rights than those of a general unsecured creditor of Creative Realities in the event of any bankruptcy of Creative Realities. As a result, it is unlikely Reflect stockholders would receive the full amount of the Additional Contingent Merger Consideration to which they are entitled upon a bankruptcy or other event in which Creative Realities has insufficient cash to satisfy its obligations to pay the Additional Contingent Merger Consideration, in which cash Reflect stockholders would receive less then, or possibly none, of the Additional Contingent Merger Consideration to which they are entitled under the terms of the Merger Agreement.

Creative Realities may be required to pay the Additional Contingent Merger Consideration after the Measurement Date, which amount may be substantial and could jeopardize Creative Realities' ability to pay such consideration, and may cause a material adverse effect on Creative Realities' cash position, liquidity and financial results.

Creative Realities has agreed in the Merger Agreement to pay to recipients the Additional Contingent Merger Consideration if the value of the CREX Shares Consideration at the end of the Measurement Date is less than the Guaranteed Price. The amount of the Additional Contingent Merger Consideration payable to a Reflect stockholder is not currently known, and Creative Realities cannot predict how many Reflect stockholders will be eligible to receive the Additional Contingent Merger Consideration until the Measurement Date. As a result, the amount of the Additional Contingent Merger Consideration, and its impact on the financial position of Creative Realities, is unknown. If each holder of the CREX Shares Consideration retained its shares until the Measurement Date, and the Floor Price of such shares was $2.00 on the Measurement Date, such holders would collectively be entitled to receive an aggregate of $10,266,669.60, or $12,133,333.33 if Reflect customers collectively achieve (i.e. account for) over 85,000 billable devices online at any time on or before December 31, 2022.

Historically, Creative Realities has operated at a working capital deficit and has incurred net losses. Creative Realities has determined that it can continue as a going concern through at least March 31, 2022. However, given its net losses, cash used in operating activities and working capital deficit, Creative Realities has obtained a continued support letter from Slipstream, Creative Realities' lender, through March 31, 2022. Creative Realities can provide no assurance that its ongoing operational efforts will be successful to provide sufficient capital to pay any Additional Contingent Merger Consideration, and even if successful, such payments would likely have a material adverse effect on Creative Realities' cash position, liquidity and financial results. If Creative Realities has insufficient cash to pay the Additional Contingent Merger Consideration, it would be required to raise capital or restructure the Additional Contingent Merger Consideration, and there is no guarantee that the terms of such capital raises would be successful, or upon terms acceptable to Creative Realities or Reflect stockholders.

Reflect stockholders will be subject to a right of first refusal in favor of Creative Realities prior to selling a significant amount of Creative Realities Shares, which may delay such stockholders' ability to sell the CREX Shares Consideration and reduce their net proceeds from such sales.

Before the Measurement Date, if a Reflect stockholder desires to transfer his, her or its CREX Shares Consideration in an amount that exceeds $50,000 in a single transaction, such stockholder must notify Creative Realities of the intent to transfer such shares, and will be deemed to offer to Creative Realities such shares at a purchase price per share equal to the higher of (i) the closing price of Creative Realities' shares of common stock as reported on Nasdaq on the trading day immediately prior to Creative Realities' receipt of notice, or (ii) the share price proposed to such Reflect stockholder by an unrelated third-party buyer in an arm's-length transaction. This may delay or impair the ability of a Reflect stockholder to sell the CREX Shares Consideration on a timely basis and reduce their net proceeds from such sales if the price of the shares goes down in advance of the sale.

Creative Realities' shareholders may not realize a benefit from the Merger commensurate with the ownership dilution they will experience in connection with the Merger.

The Merger Consideration includes 2,333,334 Creative Realities Shares having an aggregate value of $4,666,667, and the Retention Bonus Plan to be adopted at the closing of the Merger will require Creative Realities to issue Creative Realities Shares having an aggregate value of $666,667. Pursuant to the Retention Bonus Plan, Creative Realities will issue 166,667 Creative Realities Shares at the closing having an aggregate value of $333,334, and additional shares having an aggregate value of $333,333 will be issued on the one-year and two-year anniversaries of the Closing, subject to the terms and conditions of the Retention Bonus Plan. If the combined company is unable to realize the full strategic and financial benefits currently anticipated from the Merger, Creative Realities' shareholders will have experienced substantial dilution of their ownership interests without receiving any commensurate benefit, or only receiving part of the commensurate benefit to the extent the combined company is able to realize only part of the strategic and financial benefits currently anticipated from the Merger.

Prior to the Merger, Reflect is obligated pursuant to the Merger Agreement to conduct its business and operations in the ordinary course and in accordance in all material respects with past practices, which could limit favorable opportunities available to Reflect, which could adversely affect its business.

Covenants in the Merger Agreement requires Reflect to conduct its business and operations in the ordinary course, which may impede the ability of Reflect to enter into other transactions that are not in the ordinary course of business, pending completion of the Merger. As a result, if the Merger is not completed, Reflect may be at a relative disadvantage to its competitors during that period.

Because the lack of a public market for Reflect Stock makes it difficult to evaluate the fairness of the Merger, the stockholders of Reflect may receive consideration in the Merger that is less than the fair market value of the Reflect Stock, or Creative Realities may pay more than the fair market value of Reflect Stock.

The outstanding Reflect Stock is privately held and is not traded in any public market. The lack of a public market makes it extremely difficult to determine the fair market value of Reflect Stock. Because the Merger Consideration was determined based on negotiations between the parties, it is possible that the value of the Merger Consideration to be received by Reflect stockholders will be less than the fair market value of the Reflect Stock, or Creative Realties may pay more than the aggregate fair market value for the Reflect Stock.

Costs associated with the Merger are difficult to estimate, may be higher than expected, and may harm the financial results of the combined company.

Creative Realities and Reflect will incur substantial direct transaction costs associated with the Merger and additional costs associated with consolidation and integration of operations. If the total costs of the Merger exceed estimates, or the benefits of the Merger do not exceed the total costs of the Merger, Creative Realities' consolidated financial results could be adversely affected.

The Merger may result in disruption of the existing businesses of Creative Realities and Reflect, distraction of their management teams and diversion of other resources.

The integration of the operations of Creative Realities and Reflect may divert management time and resources from the main businesses of both companies. After the Merger, management will likely be required to spend significant time integrating the operations of Reflect into that of Creative Realities. This diversion of time and resources could cause the combined business to suffer, or a possibly inability or delay to achieving anticipated synergies between the businesses.

Any delay in completion of the Merger may significantly reduce the benefits expected to be obtained from the Merger.

The Merger is subject to approval of the Merger by the Reflect stockholders, the approval of the Creative Realities Proposals by Creative Realities' shareholders, and subject to a number of other conditions beyond the control of Creative Realities and Reflect that may prevent, delay or otherwise materially adversely affect completion of the Merger. Creative Realities and Reflect cannot predict whether or when these other conditions will be satisfied. Any delay in completing the Merger may significantly reduce the synergies and other benefits that Creative Realities and Reflect expect to achieve if they successfully complete the Merger within the expected timeframe and integrate their respective businesses.

The market price of Creative Realities Shares may decline as a result of the Merger.

The market price of Creative Realities Shares may decline as a result of the Merger if the integration of the businesses of Creative Realities and Reflect is unsuccessful or if the costs of implementing the integration are greater than expected. The market price of Creative Realities Shares also may decline if Creative Realities does not achieve the perceived benefits of the Merger as rapidly or to the extent anticipated by financial or industry analysts, or shareholders, or if the effect of the Merger on Creative Realities' financial results is not consistent with the expectations of financial or industry analysts, or its shareholders.

Each of Creative Realities, Reflect and the combined company will incur substantial transaction-related costs relating to the Merger.

Creative Realities and Reflect have incurred, and expect to continue to incur, significant non-recurring transaction-related costs associated with completing the Merger and combining the two companies. These fees and costs have been, and will continue to be, substantial. Through December 30, 2021, Creative Realities and Reflect together have incurred approximately $350 in expenses related to completing the Merger and they estimate they will incur additional Merger related expenses of $150 before or in connection with the consummation of the Merger. Non-recurring transaction costs include, but are not limited to, fees paid to legal, financial and accounting advisors, severance and benefit costs, filing fees and printing costs. Additional unanticipated costs may be incurred in the integration of the operations of Creative Realities and Reflect, which may be higher than expected and could have a material adverse effect on the combined company's financial condition and operating results.

Creative Realities' ability to use net operating loss and tax credit carryforwards and certain built-in losses to reduce future tax payments is limited by provisions of the Internal Revenue Code and may be subject to further limitation because of prior or future offerings of Creative Realities' stock or other transactions.

Sections 382 and 383 of the United States Internal Revenue Code of 1986, as amended (the "Code") contain rules that limit the ability of a company that undergoes an ownership change, which is generally an increase in the ownership percentage of certain stockholders in the stock of a company by more than 50% over a three-year period, to utilize its net operating loss and tax credit carryforwards and certain built-in losses recognized in years after the ownership change. These rules generally operate by focusing on ownership changes involving stockholders owning directly or indirectly 5% or more of the stock of a company and any change in ownership arising from a new issuance of stock by the company. Generally, if an ownership change, as defined by Section 382 of the Code, occurs, the yearly taxable income limitation on the use of net operating loss and tax credit carryforwards and certain built-in losses is equal to the product of the applicable long-term tax-exempt rate and the value of the company's stock immediately before the ownership change. The Merger will result in such an ownership change. As a result, Creative Realities will not be able to use Reflect's pre-Merger losses or credit carryovers or certain built-in losses to offset future taxable income in excess of the annual limitations imposed by Sections 382 and 383 of the Code, which may result in the expiration of a portion of Creative Realities' tax attributes before utilization.

Creative Realities will incur significant increased costs as a result of the completion of the Merger.

Following completion of the Merger, Creative Realities' operating expenses are likely to increase significantly as Reflect continues to develop and grow its business and Creative Realities will likely be required to pay monthly debt installments with respect to $20-25 million of debt anticipated to be issued in connection with the consummation of a financing transaction to pay the cash portion of the Merger Consideration. The operating expense increases are most likely to be in the areas of sales and marketing, compensation and research and product development. There also may be increases in legal, accounting, insurance and compliance costs. This may have a material adverse impact on the market price of Creative Realities Shares following the Merger. Additionally, the integration of the operations of Creative Realities and Reflect may result in unanticipated costs, which may be higher than expected and could have a material adverse effect on the combined company's financial condition and operating results.

Creative Realities will not be able to consummate the Merger without obtaining financing.

The Merger Consideration includes $18,666,667 of cash payable by Creative Realities at the Closing, and the cash portion of the Retention Bonus Plan consists of $1,333,333. Currently, Creative Realities does not have sufficient cash on hand or available under its existing credit facility to pay such cash. Creative Realities intends to raise such capital via debt financing by issuing a secured promissory note to a senior lender(s), and convertible promissory notes to an additional lender(s). There is no guarantee that Creative Realities will be able to obtain such financing, and financing alternatives may be considered by Creative Realities, which may or may not be successful to obtain the necessary financing. It is currently contemplated that any financing would include the issuance of Creative Realities Shares as part of the Existing Debt Conversion, and that Creative Realities will likely issue Convertible Securities.

The Existing Debt Conversion, any additional equity financings, as well as the conversion of any convertible promissory notes sold in the contemplated debt financing, or the exercise of any warrants issued in any such financing, may be dilutive to Creative Realities' shareholders and may be completed at a discount to the then-current market price of Creative Realities Shares. Debt financing, if available, may involve restrictive covenants on operations or pertaining to future financing arrangements.

Creative Realities may fail to realize the anticipated benefits of the Merger.

The success of the Merger will depend, in part, on Creative Realities' ability to realize the anticipated growth opportunities and synergies from combining Creative Realities and Reflect. The integration of Creative Realities and Reflect will be a time consuming and expensive process and may disrupt their operations if it is not completed in a timely and efficient manner. In addition, Creative Realities may not achieve anticipated synergies or other benefits of the Merger. Following the Merger, Creative Realities and Reflect must operate as a combined company utilizing common information and communication systems, operating procedures, financial controls and human resources practices. The combined company may encounter the following integration difficulties, resulting in costs and delays:

- failure to successfully manage relationships with customers and other important relationships;
- failure of customers to continue using the services of the combined company;
- difficulties in successfully integrating the management teams and employees;
- challenges encountered in manager larger operations;
- losses of key employees;
- failure to manage the growth and growth strategies of Creative Realities and Reflect;
- diversion of the attention of management from other ongoing business concerns;
- incompatibility of technologies and systems;
- impairment charges incurred to write down the carrying amount of intangible assets generated as a result of the Merger; and
- incompatibility of business cultures.

If the combined company's operations after the Merger do not meet the expectations of existing or prospective customers of Creative Realities and Reflect, then these customers and prospective customers may cease doing business with the combined company altogether, which would harm its results of operations, financial condition and business prospects. If the management team is not able to develop strategies and implement a business plan that successfully addresses these difficulties, Creative Realities may not realize the anticipated benefits of the Merger.

RISKS RELATED TO CREATIVE REALITIES' BUSINESS AND INDUSTRY

The ongoing COVID-19 pandemic has had, and may in the future have, a significant adverse impact on Creative Realities' advertising revenue and also exposes Creative Realities' business to other risks.

The ongoing COVID-19 pandemic has resulted in authorities implementing numerous preventative measures to contain or mitigate the outbreak of the virus, such as travel bans and restrictions, limitations on business activity, quarantines, and shelter-in-place orders. These measures have caused, and are continuing to cause, business slowdowns or shutdowns in affected areas, both regionally and worldwide, which have significantly impacted Creative Realities business and results of operations.

For example, for the year ended December 31, 2020, Creative Realities revenue declined by $14,141, or 45%, versus the year ended December 31, 2019, as compared to a four-year average revenue growth rate of 29.1% from 2015 to 2019, and represented the first revenue reduction for Creative Realities since its merger with ConeXus World Global, LLC in October 2015. This reduction was driven by a combination of factors, including, but not limited to, a decrease in revenues generated from (1) installation services of $4,962 following a significant increase in suspended, delayed, and cancelled customer projects, initiatives, and capital expenditures as a direct result of the COVID-19 pandemic, (2) management services of $1,186 related to contracts with customers which were partially or permanently closed during the year, and (3) reductions in new customer acquisition, each of which were directly attributable, either in whole or in part, to the COVID-19 pandemic.

While Creative Realities have seen improved revenue generation and customer activity in the second half of 2020 and three quarters of 2021, there can be no assurance that it will not decrease again as a result of the effects of the pandemic. In addition, Creative Realities believes that the pandemic has contributed to an acceleration in the shift of commerce from offline to online, potentially altering customer demand for Creative Realities' products and services as Creative Realities customers evaluate the most effective approach to capture consumer demand.

The demand for and pricing of Creative Realities services may be materially and adversely impacted by the pandemic for the foreseeable future, and Creative Realities is unable to predict the duration or degree of such impact with any certainty. In addition to the impact on Creative Realities' installation and managed services business, the pandemic exposes Creative Realities' business, operations, and workforce to a variety of other risks, including:

- delays in product development or releases, or reductions in manufacturing production and sales of hardware, as a result of inventory shortages, supply chain or labor shortages, or diversion of Creative Realities efforts and resources to projects related to COVID-19;
- an inability to recognize revenue, collect payment, or generate future revenue from customers, including from those that have been or may be forced to close their businesses or are otherwise impacted by the economic downturn;
- significant volatility and disruption of global financial markets, which could negatively impact Creative Realities ability to access capital in the future;
- negative impact on Creative Realities workforce productivity, product development, and research and development due to difficulties resulting from Creative Realities personnel working remotely;
- illnesses to key employees, or a significant portion of Creative Realities workforce, which may result in inefficiencies, delays, and disruptions in Creative Realities' business; and
- increased volatility and uncertainty in the financial projections Creative Realities use as the basis for estimates used in Creative Realities financial statements.

Any of these developments may adversely affect Creative Realities business, harm Creative Realities' reputation, or result in legal or regulatory actions against us. The persistence of the COVID-19 pandemic, and the preventative measures implemented to help limit the spread of the illness, have impacted, and will continue to impact, Creative Realities' ability to operate Creative Realities' business and may materially and adversely impact Creative Realities' business, financial condition, and results of operations.

The sale of Creative Realities new Safe Space Solutions products may not be successful.

On April 28, 2020, Creative Realities announced the joint launch of an AI-integrated non-contact temperature inspection kiosk known as the Thermal Mirror with Creative Realities' partner, InReality, for use by businesses as COVID-19 related workplace restrictions are reduced or eliminated. Although Creative Realities has experience in providing customers digital integration solutions, Creative Realities' ongoing support of the Thermal Mirror involves the development, marketing, and sales of a new product to new customers involving a joint effort with InReality. The product also uses hardware and technologies that have not been used with Creative Realities other customers. To date, Creative Realities and InReality continued to develop incremental use cases and subsequently launched a suite of Safe Space Solutions products addressing this market, each of which operate consistently with Creative Realities primary business model in that they represent a sale of hardware and a SaaS-based subscription license services contract.

There are several risks involved in such the development, marketing, and sales of such product. First, Creative Realities invested significant time and resources that take away the attention of management that would otherwise be available for ongoing development of Creative Realities' existing business or to respond to new opportunities. Creative Realities also has limited cash and has expended significant costs in the launch and ongoing support of such product, which may ultimately not be successful. This cash could have been used to support Creative Realities' other proven business lines. Creative Realities faces significant competition from other COVID-19 related workplace safety solutions, and Creative Realities' competitors have more capital resources than Creative Realities. The failure to successfully manage these risks in the development, marketing and selling the Safe Space Solutions could have a material, adverse effect on Creative Realities' business, financial condition, and results of operations.

Creative Realities has generally incurred losses, and may never become or remain profitable.

Except for the second, third and fourth quarters of 2019, Creative Realities has incurred historical net losses. As of and for the year-ended December 31, 2020, Creative Realities had a working capital deficit and negative cash flows from operations. Creative Realities incurred a net loss for the years ended December 31, 2020 and December 31, 2019. While Creative Realities has been able to achieve profitability in certain recent periods, it is uncertain whether Creative Realities will be able to sustain or increase Creative Realities' profitability in successive periods.

Creative Realities has formulated Creative Realities' business plans and strategies based on certain assumptions regarding the acceptance of Creative Realities' business model and the marketing of Creative Realities' products and services. Nevertheless, Creative Realities' assessments regarding market size, market share, market acceptance of Creative Realities' products and services and a variety of other factors may prove incorrect. Creative Realities' future success will depend upon many factors, including factors beyond Creative Realities' control and those that cannot be predicted at this time. The ongoing COVID-19 pandemic has also caused a significant increase in suspended, delayed, and cancelled customer projects, initiatives, and capital expenditures, and it is not known when these opportunities will be revived for Creative Realities, if at all.

The digital marketing business is evolving in a rapidly changing market, and Creative Realities cannot ensure the long-term successful operation of Creative Realities' business or the execution of Creative Realities' business plan.

The digital marketing technology and solutions are an evolving business offering and the markets in which Creative Realities compete are rapidly changing and the evolution has slowed because of the COVID-19 pandemic. As a result, Creative Realities' prospects must be considered in light of the risks, expenses and difficulties frequently encountered by growing companies in new and rapidly evolving markets. Creative Realities may be unable to accomplish any of the following, which would materially impact Creative Realities' ability to implement its business plan:

- establishing and maintaining broad market acceptance of Creative Realities technology, solutions, services, and platforms, and converting that acceptance into direct and indirect sources of revenue;

- establishing and maintaining adoption of Creative Realities technology, solutions, services, and platforms in and on a variety of environments, experiences, and device types;

- timely and successfully developing new technology, solution, service, and platform features, and increasing the functionality and features of Creative Realities' existing technology, solution, service, and platform offerings;

- developing technology, solutions, services, and platforms that result in a high degree of customer satisfaction and a high level of end-customer usage;

- successfully responding to competition, including competition from emerging technologies and solutions;

- developing and maintaining strategic relationships to enhance the distribution, features, content and utility of Creative Realities' technology, solutions, services, and platforms;

- identifying, attracting and retaining talented engineering, network operations, program management, technical services, creative services, and other personnel at reasonable market compensation rates in the markets in which Creative Realities employs such personnel; and

- integration of acquisitions.

Creative Realities' business strategy may be unsuccessful, and Creative Realities may be unable to address the risks Creative Realities faces in a cost-effective manner, if at all. If Creative Realities is unable to successfully accomplish these tasks, Creative Realities' business will be harmed.

Adequate funds for Creative Realities' operations may not be available, requiring Creative Realities to raise additional financing or else curtail Creative Realities activities significantly.

On February 18, 2021, Creative Realities entered into a securities purchase agreement with an institutional investor which provided for the issuance and sale by Creative Realities of 800,000 shares of Creative Realities' common stock (the "Shares"), in a registered direct offering (the "Offering") at a purchase price of $2.50 per Share, for gross proceeds of $2,000. The net proceeds from the Offering after paying estimated offering expenses were approximately $1,835 which Creative Realities intends to use for general corporate purposes. The closing of the Offering occurred on February 22, 2021.

On February 3, 2022, Creative Realities entered into a securities purchase agreement (the "Securities Purchase Agreement") with a purchaser (the "Purchaser"), pursuant to which Creative Realities agreed to issue and sell to the Purchaser, in a private placement priced at-the-market under Nasdaq rules, (i) 1,315,000 shares (the "Offered Shares") of the Creative Realities' common stock, par value $0.01 per share (the "Common Stock") and accompanying warrants to purchase an aggregate of 1,315,000 shares of Common Stock, and (ii) pre-funded warrants to purchase up to an aggregate of 5,851,505 shares of Common Stock (the "Pre-Funded Warrants") and accompanying warrants to purchase an aggregate of 5,851,505 shares of Common Stock (the "Private Placement"). The accompanying warrants to purchase Common Stock are referred to herein collectively as the "Common Stock Warrants." Under the Securities Purchase Agreement, each Share and accompanying warrants to purchase Common Stock are being sold together at a combined price of $1.535, and each Pre-Funded Warrant and accompanying warrants to purchase Common Stock are being sold together at a combined price of $1.5349, for gross proceeds of approximately $11.0 million, before deducting placement agent fees and estimated offering expenses payable by the Company.

Creative Realities may nonetheless be required to raise additional funding through public or private financings, including equity financings, through 2021. Creative Realities has an "at-the-market" offering in place, pursuant to which Creative Realities may direct Roth Capital Partners, Creative Realities' sale agent, to sell shares of Creative Realities common stock to investors in the market, subject to the terms and conditions of a sales agreement. These sales are dilutive to shareholders. Any additional equity financings may also be dilutive to shareholders and may be completed at a discount to the then-current market price of Creative Realities securities. Debt financing, if available, may involve restrictive covenants on Creative Realities operations or pertaining to future financing arrangements. Nevertheless, Creative Realities may not successfully complete any future equity or debt financing. Adequate funds for Creative Realities operations, whether from financial markets, collaborative or other arrangements, may not be available when needed or on terms attractive to us. If adequate funds are not available, Creative Realities plans to operate Creative Realities business may be adversely affected and Creative Realities could be required to curtail Creative Realities activities significantly and/or cease operating.

Creative Realities does not have sufficient capital to engage in material research and development, which may harm Creative Realities' long-term growth.

In light of Creative Realities' limited resources in general, Creative Realities has made no material investments in research and development over the past several years. This conserves capital in the short term. In the long term, as a result of Creative Realities' failure to invest in research and development, Creative Realities' technology and product offerings may not keep pace with the market, and Creative Realities may lose any current existing competitive advantage. Over the long term, this may harm Creative Realities' revenues growth and Creative Realities' ability to become profitable.

Creative Realities is reliant on the continued support of a related party for adequate financing of its operations.

As of December 27, 2021, Creative Realities' largest shareholder and investor, Slipstream, is the holder of 100% of Creative Realities outstanding debt instruments including a term loan, , and secured convertible promissory note and has beneficial ownership of approximately 45.8% of Creative Realities common stock (on an as-converted, fully diluted basis including conversion of outstanding warrants, and assuming no other convertible securities, options and warrants are converted or exercised by other parties). Slipstream has also provided Creative Realities with a continued support letter through November 15, 2022. If Creative Realities is unable to extend the maturity or replace Creative Realities' existing financing agreements in the future, Creative Realities plans to operate Creative Realities' business may be adversely affected and Creative Realities could be required to curtail Creative Realities' activities significantly and/or cease operating. Creative Realities is currently in discussions with Slipstream to participate in a financing necessary to raise the capital to consummate the Merger, and, as a result, Creative Realities may issue additional Creative Realities Shares to Slipstream as part of the Existing Debt Conversion, and enter into additional financing arrangements.

Creative Realities expects that there will be significant consolidation in its industry. Creative Realities' failure or inability to lead that consolidation would have a severe adverse impact on Creative Realities' access to financing, customers, technology, and human resources.

Creative Realities' industry is currently composed of a large number of relatively small businesses, no single one of which is dominant or which provides integrated solutions and product offerings incorporating much of the available technology. Accordingly, Creative Realities believes that substantial consolidation may occur in Creative Realities' industry in the near future. If Creative Realities does not play a positive role in that consolidation, either as a leader or as a participant whose capability is merged in a larger entity, Creative Realities may be left out of this process, with product offerings of limited value compared with those of Creative Realities' competitors. Moreover, even if Creative Realities leads the consolidation process, the market may not validate the decisions Creative Realities makes in that process.

Creative Realities' success depends on its interactive marketing technologies achieving and maintaining widespread acceptance in its targeted markets.

Creative Realities' success will depend to a large extent on broad market acceptance of its interactive marketing technologies among current and prospective customers. Creative Realities' prospective customers may still not use Creative Realities' solutions for a number of other reasons, including preference for static advertising, lack of familiarity with Creative Realities' technology, preference for competing technologies or perceived lack of reliability. Creative Realities believes that the acceptance of its interactive marketing technologies by prospective customers will depend primarily on the following factors:

- its ability to demonstrate the economic and other benefits attendant to Creative Realities' interactive marketing technologies;
- its customers becoming comfortable with using Creative Realities' interactive marketing technologies; and
- the reliability of Creative Realities' interactive marketing technologies.

Creative Realities' interactive technologies are complex and must meet stringent user requirements. Some undetected errors or defects may only become apparent as new functions are added to Creative Realities' technologies and products. The need to repair or replace products with design or manufacturing defects could temporarily delay the sale of new products and adversely affect Creative Realities' reputation. Delays, costs and damage to Creative Realities' reputation due to product defects could harm its business.

Creative Realities' financial condition and potential for continued net losses may negatively impact Creative Realities' relationships with customers, prospective customers and third-party suppliers.

Creative Realities' financial condition and potential for continued net losses may cause current and prospective customers to defer placing orders with it, to require terms that are less favorable to it, or to place their orders with Creative Realities' competitors, which could adversely affect Creative Realities' business, financial condition and results of operations. On the same basis, third-party suppliers may refuse to do business with Creative Realities, or may do so only on terms that are unfavorable to Creative Realities, which also could cause Creative Realities' expenses to increase.

Because Creative Realities does not have long-term purchase commitments from Creative Realities' customers, the failure to obtain anticipated orders or the deferral or cancellation of commitments could have adverse effects on Creative Realities' business.

Creative Realities' business is characterized by short-term purchase orders and contracts that do not require that purchases be made by Creative Realities' customers. This makes forecasting sales difficult. The failure to obtain anticipated orders and deferrals or cancellations of purchase commitments because of changes in customer requirements, or otherwise, could have a material adverse effect on Creative Realities' business, financial condition and results of operations. Creative Realities has experienced such challenges in the past and may experience such challenges in the future.

Creative Realities' continued growth and financial performance could be adversely affected by the loss of several key customers, including a significant related party customer.

Creative Realities' largest customers account for a significant portion of Creative Realities' total revenue on a consolidated basis. Creative Realities had two and one customer(s) that accounted for 27.8% and 18.5% of revenue for the years ended December 31, 2020 and 2019, respectively.

For each of the years ended December 31, 2020 and 2019, Creative Realities had sales of approximately $1.1 million, representing 6.1% and 3.5% of consolidated sales, respectively, with 33 Degrees Convenience Connect, Inc., a related party that is approximately 17.5% owned by a member of Creative Realities senior management ("33 Degrees").

Decisions by one or more of these key customers to not renew, terminate or substantially reduce their use of Creative Realities' products, technology, services, and platform could substantially slow Creative Realities' revenue growth and lead to a decline in revenue. Creative Realities' business plan assumes continued growth in revenue, and it is unlikely that Creative Realities will become profitable without a continued increase in revenue.

Most of Creative Realities' contracts are terminable by Creative Realities' customers with limited notice and without penalty payments, and early terminations could have a material adverse effect on Creative Realities' business, operating results and financial condition.

Most of Creative Realities' contracts are terminable by Creative Realities' customers following limited notice and without early termination payments or liquidated damages due from them. In addition, each stage of a project often represents a separate contractual commitment, at the end of which the customers may elect to delay or not to proceed to the next stage of the project. Creative Realities cannot assure you that one or more of Creative Realities' customers will not terminate a material contract or materially reduce the scope of a large project. The delay, cancellation or significant reduction in the scope of a large project or a number of projects could have a material adverse effect on Creative Realities' business, operating results and financial condition.

It is common for Creative Realities' current and prospective customers to take a long time to evaluate Creative Realities' products, most especially during economic downturns that affect Creative Realities customers' businesses, including as a result of the COVID-19 pandemic. The lengthy and variable sales cycle makes it difficult to predict Creative Realities' operating results.

It is difficult for Creative Realities to forecast the timing and recognition of revenue from sales of Creative Realities products and services because Creative Realities' actual and prospective customers often take significant time to evaluate Creative Realities' products before committing to a purchase. Even after making their first purchases of Creative Realities' products and services, existing customers may not make significant purchases of those products and services for a long period of time following their initial purchases, if at all. The period between initial customer contact and a purchase by a customer may be years with potentially an even longer period separating initial purchases and any significant purchases thereafter. During the evaluation period, prospective customers may decide not to purchase or may scale down proposed orders of Creative Realities' products for various reasons, including:

- reduced need to upgrade existing visual marketing systems;
- introduction of products by Creative Realities competitors;
- lower prices offered by Creative Realities competitors; and
- changes in budgets and purchasing priorities.

Creative Realities' prospective customers routinely require education regarding the use and benefit of Creative Realities' products. This may also lead to delays in receiving customers' orders.

Creative Realities' industry is characterized by frequent technological change. If Creative Realities is unable to adapt Creative Realities' products and services and develop new products and services to keep up with these rapid changes, Creative Realities will not be able to obtain or maintain market share.

The market for Creative Realities products and services is characterized by rapidly changing technology, evolving industry standards, changes in customer needs, heavy competition and frequent new product and service introductions. If Creative Realities fails to develop new products and services or modify or improve existing products and services in response to these changes in technology, customer demands or industry standards, Creative Realities' products and services could become less competitive or obsolete.

Creative Realities must respond to changing technology and industry standards in a timely and cost-effective manner. Creative Realities may not be successful in using new technologies, developing new products and services or enhancing existing products and services in a timely and cost-effective manner. Furthermore, even if Creative Realities successfully adapts its products and services, these new technologies or enhancements may not achieve market acceptance.

A portion of Creative Realities' business involves the use of software technology that it has developed or licensed. Industries involving the ownership and licensing of software-based intellectual property are characterized by frequent intellectual-property litigation, and Creative Realities could face claims of infringement by others in the industry. Such claims are costly and add uncertainty to Creative Realities' operational results.

A portion of Creative Realities' business involves ownership and licensing of software. This market space is characterized by frequent intellectual property claims and litigation. Creative Realities could be subject to claims of infringement of third-party intellectual-property rights resulting in significant expense and the potential loss of Creative Realities' own intellectual property rights. From time to time, third parties may assert copyright, trademark, patent or other intellectual property rights to technologies that are important to Creative Realities' business. Any litigation to determine the validity of these claims, including claims arising through Creative Realities' contractual indemnification of Creative Realities' business partners, regardless of their merit or resolution, would likely be costly and time consuming and divert the efforts and attention of Creative Realities' management and technical personnel. If any such litigation resulted in an adverse ruling, Creative Realities could be required to:

- pay substantial damages;
- cease the development, use, licensing or sale of infringing products;
- discontinue the use of certain technology; or
- obtain a license under the intellectual property rights of the third party claiming infringement, which license may not be available on reasonable terms or at all.

Creative Realities' proprietary platform architectures and data tracking technology underlying certain of Creative Realities' services are complex and may contain unknown errors in design or implementation that could result in system performance failures or inability to scale.

The platform architecture, data tracking technology and integration layers underlying Creative Realities' proprietary platforms, Creative Realities contract administration, procurement, timekeeping, content and network management, network services, device management, virtualized services, software automation and other tools, and back-end services are complex and include specially developed software and code. This software and code are developed internally, licensed from third parties, or integrated by in-house personnel and third parties. Any of the system architecture, system administration, integration layers, software or code may contain errors, or may be implemented or interpreted incorrectly, particularly when they are first introduced or when new versions or enhancements to Creative Realities' tools and services are released. Consequently, Creative Realities' systems could experience performance failure, or it may be unable to scale its systems, which may:

- adversely impact Creative Realities' relationship with customers and others who experience system failure, possibly leading to a loss of affected and unaffected customers;
- increase Creative Realities' costs related to product development or service delivery; or
- adversely affect Creative Realities' revenues and expenses.

Creative Realities' business may be adversely affected by malicious applications that interfere with, or exploit security flaws in, its products and services.

Creative Realities' business may be adversely affected by malicious applications that make changes to its customers' computer systems and interfere with the operation and use of Creative Realities' products or products that impact its business. These applications may attempt to interfere with Creative Realities' ability to communicate with Creative Realities customers' devices. The interference may occur without disclosure to or consent from Creative Realities' customers, resulting in a negative experience that its customers may associate with Creative Realities' products and services. These applications may be difficult or impossible to uninstall or disable, may reinstall themselves and may circumvent other applications' efforts to block or remove them. The ability to provide customers with a superior interactive marketing technology experience is critical to Creative Realities' success. If Creative Realities' efforts to combat these malicious applications fail, or if its products and services have actual or perceived vulnerabilities, there may be claims based on such failure or Creative Realities' reputation may be harmed, which would damage Creative Realities' business and financial condition.

Creative Realities compete with other companies that have more resources, which puts Creative Realities at a competitive disadvantage.

The market for interactive marketing technologies is generally highly competitive and Creative Realities expects competition to increase in the future. Some of Creative Realities' competitors or potential competitors may have significantly greater financial, technical and marketing resources than Creative Realities does. These competitors may be able to respond more rapidly than Creative Realities can to new or emerging technologies or changes in customer requirements. They may also devote greater resources to the development, promotion and sale of their products than Creative Realities.

Creative Realities expects competitors to continue to improve the performance of their current products and to introduce new products, services and technologies. Successful new product and service introductions or enhancements by Creative Realities' competitors could reduce sales and the market acceptance of Creative Realities' products and services, cause intense price competition or make Creative Realities' products and services obsolete. To be competitive,

Creative Realities must continue to invest significant resources in research and development, sales and marketing and customer support. If Creative Realities does not have sufficient resources to make these investments or are unable to make the technological advances necessary to be competitive, Creative Realities' competitive position will suffer. Increased competition could result in price reductions, fewer customer orders, reduced margins and loss of market share. Creative Realities' failure to compete successfully against current or future competitors could adversely affect Creative Realities business and financial condition.

Creative Realities' future success depends on key personnel and its ability to attract and retain additional personnel.

Creative Realities' key personnel includes:

- Rick Mills, Creative Realities Chief Executive Officer;
- Will Logan, Creative Realities Chief Financial Officer; and
- Mike McKim, Creative Realities Vice President of Operations

If Creative Realities fails to retain its key personnel or to attract, retain and motivate other qualified employees, its ability to maintain and develop business may be adversely affected. Creative Realities' future success depends significantly on the continued service of key technical, sales and senior management personnel and their ability to execute Creative Realities' growth strategy. The loss of the services of these key employees could harm Creative Realities' business. Creative Realities may be unable to retain its employees or to attract, assimilate and retain other highly qualified employees who could migrate to other employers who offer competitive or superior compensation packages.

Creative Realities is subject to cyber security risks and interruptions or failures in Creative Realities information technology systems and will likely need to expend additional resources to enhance Creative Realities' protection from such risks. Notwithstanding Creative Realities' efforts, a cyber incident could occur and result in information theft, data corruption, operational disruption and/or financial loss.

Creative Realities depends on digital technologies to process and record financial and operating data and rely on sophisticated information technology systems and infrastructure to support its business, including process control technology. At the same time, cyber incidents, including deliberate attacks, have increased. The U.S. government has issued public warnings that indicate that energy assets might be specific targets of cyber security threats. Creative Realities' technologies, systems and networks and those of its vendors, suppliers and other business partners may become the target of cyberattacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, or other disruption of business operations. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period. Creative Realities' systems for protecting against cyber security risks may not be sufficient. As the sophistication of cyber incidents continues to evolve, Creative Realities will likely be required to expend additional resources to continue to modify or enhance its protective measures or to investigate and remediate any vulnerability to cyber incidents. Additionally, any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures, usage errors by employees, computer viruses, cyber-attacks or other security breaches or similar events. The failure of any of Creative Realities' information technology systems may cause disruptions in its operations, which could adversely affect its revenues and profitability.

Creative Realities' reliance on information management and transaction systems to operate its business exposes Creative Realities to cyber incidents and hacking of sensitive information if Creative Realities' outsourced service provider experiences a security breach.

Effective information security internal controls are necessary for Creative Realities to protect sensitive information from illegal activities and unauthorized disclosure in addition to denial of service attacks and corruption of Creative Realities' data. In addition, Creative Realities relies on the information security internal controls maintained by Creative Realities' outsourced service provider. Breaches of Creative Realities' information management system could also adversely affect Creative Realities' business reputation. Finally, significant information system disruptions could adversely affect Creative Realities' ability to effectively manage operations or reliably report results.

Because Creative Realities' technology, products, platform, and services are complex and are deployed in and across complex environments, they may have errors or defects that could seriously harm Creative Realities' business.

Creative Realities' technology, proprietary platforms, products and services are highly complex and are designed to operate in and across data centers, large and complex networks, and other elements of the digital media workflow that Creative Realities does not own or control. On an ongoing basis, Creative Realities needs to perform proactive maintenance services on its platform and related software services to correct errors and defects. In the future, there may be additional errors and defects in Creative Realities' software that may adversely affect its services. Creative Realities may not have in place adequate reporting, tracking, monitoring, and quality assurance procedures to ensure that Creative Realities detects errors in Creative Realities software in a timely manner. If Creative Realities is unable to efficiently and cost-effectively fix errors or other problems that may be identified, or if there are unidentified errors that allow persons to improperly access Creative Realities' services, Creative Realities could experience loss of revenues and market share, damage to Creative Realities reputation, increased expenses and legal actions by Creative Realities' customers.

Creative Realities may have insufficient network or server capacity, which could result in interruptions in its services and loss of revenues.

Creative Realities' operations are dependent in part upon: network capacity provided by third-party telecommunications networks; data center services provider owned and leased infrastructure and capacity; Creative Realities' dedicated and virtualized server capacity located at its data center services provider partner and a geo-redundant micro-data center location; and Creative Realities' own infrastructure and equipment. Collectively, this infrastructure, equipment, and capacity must be sufficiently robust to handle all of Creative Realities customers' web-traffic, particularly in the event of unexpected surges in high-definition video traffic and network services incidents. Creative Realities (and Creative Realities service providers) may not be adequately prepared for unexpected increases in bandwidth and related infrastructure demands from customers. In addition, the bandwidth Creative Realities has contracted to purchase may become unavailable for a variety of reasons, including payment disputes, outages, or such service providers going out of business. Any failure of these service providers or Creative Realities' own infrastructure to provide the capacity Creative Realities requires, due to financial or other reasons, may result in a reduction in, or interruption of, service to Creative Realities customers, leading to an immediate decline in revenue and possible additional decline in revenue as a result of subsequent customer losses.

Creative Realities' business operations are susceptible to interruptions caused by events beyond Creative Realities' control.

Creative Realities' business operations are susceptible to interruptions caused by events beyond its control. Creative Realities is vulnerable to the following potential problems, among others:

- its platform, technology, products, and services and underlying infrastructure, or that of Creative Realities' key suppliers, may be damaged or destroyed by events beyond Creative Realities' control, such as fires, earthquakes, floods, power outages or telecommunications failures;

- Creative Realities and its customers and/or partners may experience interruptions in service as a result of the accidental or malicious actions of Internet users, hackers or current or former employees;

- Creative Realities may face liability for transmitting viruses to third parties that damage or impair access to computer networks, programs, data or information. Eliminating computer viruses and alleviating other security problems may require interruptions, delays or cessation of service to Creative Realities' customers; and

- failure of Creative Realities' systems or those of its suppliers may disrupt service to Creative Realities customers (and from Creative Realities customers to their customers), which could materially impact Creative Realities' operations (and the operations of Creative Realities customers), adversely affect Creative Realities' relationships with customers and lead to lawsuits and contingent liability.

The occurrence of any of the foregoing could result in claims for consequential and other damages, significant repair and recovery expenses and extensive customer losses and otherwise have a material adverse effect on Creative Realities' business, financial condition and results of operations.

The markets in which Creative Realities operates are rapidly emerging, and Creative Realities may be unable to compete successfully against existing or future competitors to its business.

The markets in which Creative Realities operates are becoming increasingly competitive. Creative Realities' current competitors generally include general digital signage companies, specialized digital signage operators targeting certain vertical markets (e.g., financial services), content management software companies, and integrators and vertical solution providers who develop single implementations of content distribution, digital marketing technology, and related services. These competitors, including future new competitors who may emerge, may be able to develop a comparable or superior solution capabilities, software platform, technology stack, and/or series of services that provide a similar or more robust set of features and functionality than the technology, products and services Creative Realities offers. If this occurs, Creative Realities may be unable to grow as necessary to make Creative Realities' business profitable.

Whether or not Creative Realities has superior products, many of these current and potential future competitors have longer operating histories in their current respective business areas and greater market presence, brand recognition, engineering and marketing capabilities, and financial, technological and personnel resources than Creative Realities. Existing and potential competitors with an extended operating history, even if not directly related to Creative Realities' business, have an inherent marketing advantage because of the reluctance of many potential customers to entrust key operations to a company that may be perceived as new, inexperienced or unproven. In addition, Creative Realities' existing and potential future competitors may be able to use their extensive resources to:

- develop and deploy new products and services more quickly and effectively than Creative Realities can;
- develop, improve and expand their platforms and related infrastructures more quickly than Creative Realities can;
- reduce costs, particularly hardware costs, because of discounts associated with large volume purchases and longer-term relationships and commitments;
- offer less expensive products, technology, platform, and services as a result of a lower cost structure, greater capital reserves or otherwise;
- adapt more swiftly and completely to new or emerging technologies and changes in customer requirements;
- take advantage of acquisition and other opportunities more readily; and
- devote greater resources to the marketing and sales of their products, technology, platform, and services.

If Creative Realities is unable to compete effectively in various markets, or if competitive pressures place downward pressure on the prices at which Creative Realities offers its products and services, Creative Realities' business, financial condition and results of operations may suffer.

RISKS RELATED TO CREATIVE REALITIES COMMON STOCK

The variable sales cycle of some of Creative Realities' products make it difficult to predict operating results.

Creative Realities' revenues in any quarter depend substantially upon contracts signed and the related shipment and installation or delivery of hardware and software products in that quarter. It is therefore difficult for Creative Realities to accurately predict revenues and this difficulty also will affect Creative Realities. It is difficult to forecast the timing of large individual hardware and software sales with a high degree of certainty due to the extended length of the sales cycle and the generally more complex contractual terms that may be associated with Creative Realities' products that could result in the deferral of some or all of the revenue to future periods.

Accordingly, large individual sales have sometimes occurred in quarters subsequent to when Creative Realities anticipated or not at all. If Creative Realities receives any significant cancellation or deferral of customer orders, or it is unable to conclude license negotiations by the end of a fiscal quarter, Creative Realities' operating results may be lower than anticipated. In addition, any weakening or uncertainty in the economy may make it more difficult for Creative Realities to predict quarterly results in the future, and could negatively impact Creative Realities' business, operating results and financial condition for an indefinite period of time.

Creative Realities' largest shareholder possesses controlling voting power with respect to Creative Realities common stock, and is Creative Realities' senior secured lender, which will limit your influence on corporate matters.

Creative Realities' largest shareholder, Slipstream, has beneficial ownership of 6,515,390 shares of Creative Realities common stock, including common shares that are beneficially owned by its affiliate Slipstream Funding, LLC, and is Creative Realities' senior secured lender. In addition, Creative Realities may pay off certain of its outstanding principal and interest owed to Slipstream in shares of its common stock, including as part of the Existing Debt Conversion, which would increase the number of shares beneficially owned by Slipstream. These shares represent beneficial ownership of approximately 45.8% of Creative Realities common stock (on an as-converted basis including conversion of outstanding warrants) as of December 27, 2021. As a result, Slipstream has significant influence on Creative Realities management and affairs, including the election and removal of Creative Realities Board of Directors and all other matters requiring shareholder approval, including the future merger, consolidation or sale of all or substantially all of Creative Realities' assets. Creative Realities is currently in discussions with Slipstream to participate in a financing necessary to raise the capital to consummate the Merger, and as result, Creative Realities may issue additional Creative Realities Shares to Slipstream as part of the Existing Debt Conversion, and enter into additional financing arrangements, which would likely increase the beneficial ownership of Slipstream. This shareholder and lender position could discourage others from initiating any potential merger, takeover or other change-of-control transaction that may otherwise be beneficial to Creative Realities shareholders. Furthermore, this concentrated ownership will limit the practical effect of your participation in Creative Realities' matters, through shareholder votes and otherwise.

The Articles of Incorporation grant Creative Realities' Board of Directors the power to issue additional shares of common and preferred stock and to designate other classes of preferred stock, all without shareholder approval.

Creative Realities' authorized capital consists of 250 million shares of capital stock, 50 million of which is undesignated preferred stock. Pursuant to authority granted by Creative Realities Articles of Incorporation, Creative Realities Board of Directors, without any action by Creative Realities shareholders, may designate and issue shares in such classes or series (including other classes or series of preferred stock) as it deems appropriate and establish the rights, preferences and privileges of such shares, including dividends, liquidation and voting rights, provided it is consistent with Minnesota law. The rights of holders of other classes or series of stock that may be issued could be superior to the rights of holders of Creative Realities common shares. The designation and issuance of shares of capital stock having preferential rights could adversely affect other rights appurtenant to shares of Creative Realities common stock. Furthermore, any issuances of additional stock (common or preferred) will dilute the percentage of ownership interest of then-current holders of Creative Realities capital stock and may dilute Creative Realities book value per share.

Creative Realities does not intend to pay dividends on Creative Realities common stock for the foreseeable future.

Creative Realities does not plan to pay dividends on Creative Realities common stock for the foreseeable future. Earnings of the business will be reinvested in future growth strategies or utilized to repay outstanding debt.

Creative Realities does not have significant tangible assets that could be sold upon liquidation.

Creative Realities has nominal tangible assets. As a result, if Creative Realities become insolvent or otherwise must dissolve, there will be no tangible assets to liquidate and no corresponding proceeds to disburse to Creative Realities shareholders. If Creative Realities become insolvent or otherwise must dissolve, shareholders will likely not receive any cash proceeds on account of their shares.

Creative Realities can provide no assurance that its securities will continue to meet Nasdaq listing requirements. If Creative Realities fails to comply with the continuing listing standards of the Nasdaq, Creative Realities' securities could be delisted.

If Creative Realities fails to comply with the continuing listing standards of the Nasdaq, Creative Realities' securities could be delisted. A failure to remain listed on Nasdaq could have a material adverse effect on the liquidity and price of Creative Realities' common stock and warrants.

GENERAL CREATIVE REALITIES RISK FACTORS

Unpredictability in financing markets could impair Creative Realities' ability to grow its business through acquisitions.

Creative Realities anticipates that opportunities to acquire similar businesses will materially depend on, among other things, the availability of financing alternatives with acceptable terms. As a result, poor credit and other market conditions or uncertainty in financial markets could materially limit Creative Realities' ability to grow through acquisitions since such conditions and uncertainty make obtaining financing more difficult.

Because Creative Realities has limited resources, it may not have in place various processes and protections common to more mature companies and may be more susceptible to adverse events.

Creative Realities has limited resources as a result of, among other things, significant restructuring and integration costs incurred in connection with prior acquisition activities. As a result, Creative Realities may not have in place systems, processes and protections that many of Creative Realities' competitors have or that may be essential to protect against various risks. For example, Creative Realities has in place only limited resources and processes addressing human resources, timekeeping, data protection, business continuity, personnel redundancy, and knowledge institutionalization concerns. As a result, Creative Realities is at risk that one or more adverse events in these and other areas may materially harm Creative Realities' business, balance sheet, revenues, expenses or prospects.

General global market and economic conditions may have an adverse impact on Creative Realities' operating performance and results of operations.

Creative Realities' business has been and could continue to be affected by general global economic and market conditions. Any downturn in the United States and worldwide economy could have a negative effect on Creative Realities' operating results, including a decrease in revenue and operating cash flow. To the extent its customers are unable to profitably leverage various forms of digital marketing technology and solutions, and/or the content Creative Realities creates, delivers and publishes on their behalf, they may reduce or eliminate their purchase of Creative Realities products and services. Such reductions in traffic would lead to a reduction in Creative Realities' revenues. Additionally, in a down-cycle economic environment, Creative Realities may experience the negative effects of increased competitive pricing pressure, customer loss, slowdown in commerce over the Internet and corresponding decrease in traffic delivered over Creative Realities network and failures by Creative Realities customers to pay amounts owed to Creative Realities on a timely basis or at all. Suppliers on which Creative Realities relies for equipment, field services, servers, bandwidth, co-location and other services could also be negatively impacted by economic conditions that, in turn, could have a negative impact on Creative Realities' operations or revenues. Flat or worsening economic conditions may harm Creative Realities' operating results and financial condition.

In addition, Creative Realities' business could be adversely affected by the effects of a widespread outbreak of contagious disease, including the recent outbreak of the COVID-19 respiratory illness. A significant outbreak of contagious diseases in the human population could result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn that could affect demand for Creative Realities' products, its ability to collect against existing trade receivables and its operating results. Specifically, such event may cause Creative Realities, its customers or suppliers to temporarily suspend operations in the affected city or country, and customers may suspend or terminate capital improvements including in-store digital deployments or refresh projects, all of which may have a material adverse effect on Creative Realities' business.

Significant issuances of Creative Realities common stock or common stock derivatives, or the perception that significant issuances may occur in the future, could adversely affect the market price for Creative Realities common stock.

Significant actual or perceived potential future issuance of Creative Realities common stock or common stock derivatives could adversely affect the market price of Creative Realities common stock. Generally, issuances of substantial amounts of common stock or common stock derivatives in the public market, and the availability of shares for future sale, could adversely affect the prevailing market price of Creative Realities common stock and could cause the market price of Creative Realities common stock to remain low for a substantial amount of time.

Creative Realities cannot foresee the impact of potential securities issuances of common shares or common stock derivatives on the market for Creative Realities common stock, but it is possible that the market for Creative Realities shares may be adversely affected, perhaps significantly. It is also unclear whether or not the market for Creative Realities common stock could absorb a large number of attempted sales in a short period of time, regardless of the price at which they might be offered.

There may not be an active market for shares of Creative Realities common stock.

In general, there has been minimal trading volume in Creative Realities common stock. Small trading volumes would likely make it difficult for Creative Realities shareholders to sell their shares as and when they choose. Furthermore, small trading volumes are generally understood to depress market prices. As a result, you may not always be able to resell shares of Creative Realities common stock publicly at the time and prices that you feel are fair or appropriate.

RISKS RELATED TO REFLECT

RISKS RELATED TO REFLECT'S BUSINESS AND INDUSTRY

The ongoing COVID-19 pandemic has had, and may in the future have, a significant adverse impact on Reflect's advertising revenue and also exposes Reflect's business to other risks.

The ongoing COVID-19 pandemic has resulted in governmental authorities implementing numerous preventative measures to contain or mitigate the outbreak of the virus, such as travel bans and restrictions, limitations on business activity, quarantines, and shelter-in-place orders. These measures have caused, and are continuing to cause, business slowdowns or shutdowns in affected areas, both regionally and worldwide, which have significantly impacted Reflect's business and results of operations.

For example, for the year ended December 31, 2020, Reflect's revenue declined by $4,125,812, or 25.5%, versus the year ended December 31, 2019. This reduction was driven by a combination of factors, including, but not limited to, a decrease in revenues generated from key customers from new projects and a significant decline in revenue from Reflect's media business, each of which were directly attributable, either in whole or in part, to the COVID-19 pandemic.

While Reflect has seen improved revenue generation and customer activity in 2021, there can be no assurance that it will not decrease again as a result of the effects of the pandemic. In addition, Reflect believes that the pandemic has contributed to an acceleration in the shift of commerce from offline to online, potentially altering customer demand for Reflect's products and services as Reflect's customers evaluate the most effective approach to capture consumer demand.

The demand for and pricing of Reflect's services may be materially and adversely impacted by the COVID-19 pandemic for the foreseeable future, and Reflect is unable to predict the duration or degree of such impact with any certainty. In addition to the impact on Reflect's software and services business, the pandemic exposes Reflect's business, operations, and workforce to a variety of other risks, including:

- delays in product development or releases, or reductions in manufacturing production and sales of hardware, as a result of inventory shortages, supply chain or labor shortages, or diversion of Reflect's efforts and resources to activities related to COVID-19;

- Reflect's inability to recognize revenue, collect payment, or generate future revenue from customers, including from those that have been or may be forced to close their businesses or are otherwise impacted by the economic downturn;

- significant volatility and disruption of global financial markets, which could negatively impact Reflect's ability to access capital in the future;

- illnesses to key employees, or a significant portion of Reflect's workforce, which may result in inefficiencies, delays, and disruptions in Reflect's business; and

- increased volatility and uncertainty in the financial projections Reflect uses as the basis for estimates used in Reflect's financial statements.

Any of these developments may adversely affect Reflect's business, harm Reflect's reputation, or result in legal or regulatory actions against Reflect. The persistence of COVID-19, and the preventative measures implemented to help limit the spread of the illness, have impacted, and will continue to impact, Reflect's ability to operate Reflect's business and may materially and adversely impact Reflect's business, financial condition, and results of operations.

Reflect may experience fluctuations in its operating results, which could make Reflect's future operating results difficult to predict.

Reflect's quarterly and annual operating results have fluctuated in the past, and Reflect expects its future operating results to fluctuate due to a variety of factors, many of which are beyond its control. Reflect's liquidity and revenue can fluctuate quarter to quarter as certain of Reflect's customers have seasonal marketing spends. The varying nature of Reflect's pricing mix between periods, customers and products may also make it more difficult for Reflect to forecast Reflect's future operating results. Further, these factors may make it more difficult to make comparisons between prior, current and future periods. As a result, period-to-period comparisons of Reflect's operating results should not be relied upon as an indication of Reflect's future performance.

In addition, the following factors may cause Reflect's operating results to fluctuate:

- Reflect's ability to attract larger customers and retain and increase sales to existing customers;

- competitive pressure forcing Reflect to alter pricing policies in ways that could negatively impact profitability;

- the seasonal budgeting cycles and internal marketing budgeting and strategic purchasing priorities of Reflect's customers;

- Reflect's ability to continue to develop and offer products and solutions that are superior to those of Reflect's competitors;

- Reflect's ability to develop its existing platform and introduce new solutions on its platform;

- Reflect's ability to retain and attract top talent;

- Reflect's ability to anticipate or respond to changes in the competitive landscape or to improvements in the functionality of competing solutions that reduce or eliminate one or more of Reflect's competitive advantages;

- Reflect's ability to maintain and expand Reflect's relationships with data centers and strategic third-party technology vendors, who provide computing capacity, servers, bandwidth, cooling and physical cyber security services on which Reflect's platform operates;

- Reflect's ability to successfully expand Reflect's business internationally;

- the emergence of significant privacy, data protection, security or other threats, regulations or requirements applicable to Reflect's business and shifting views and behaviors of consumers concerning use of data and data privacy;

- extraordinary expenses, such as litigation or other dispute-related settlement payments; and

- future accounting pronouncements or changes in Reflect's accounting policies.

Any one of the factors referred to above or the cumulative effect of any combination of factors referred to above may result in Reflect's operating results being below Reflect's expectations, or may result in significant fluctuations in Reflect's quarterly and annual operating results. This variability and unpredictability could result in Reflect's failure to meet its business plan.

Disruption to Reflect's supply chain could adversely affect its business.

Reflect's ability to sell hardware products may be impaired by capabilities of its suppliers, logistics service providers or independent distributors. This damage or disruption could result from execution issues, as well as factors that are hard to predict or beyond Reflect's control, such as increased temperatures due to climate change, extreme weather events, natural disasters, product or raw material scarcity, fire, terrorism, pandemics (such as the COVID-19 pandemic), strikes, labor shortages, cybersecurity breaches, government shutdowns, disruptions in logistics, supplier capacity constraints or other events. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, may adversely affect Reflect's business or financial results, particularly in circumstances when a product is sourced from a single supplier or location. Disputes with significant suppliers, contract manufacturers, logistics service providers or independent distributors, including disputes regarding pricing or performance, may also adversely affect Reflect's ability to sell hardware products (on a timely basis or at all), and ultimately its digital platform services, which could result in a decrease in revenue and could have a material adverse effect on Reflect's business or financial results.

Reflect's digital signage business is evolving in a rapidly changing market and Reflect cannot ensure the long-term successful operation of its business or the execution of its business plan.

Reflect's digital signage technology and solutions are an evolving business offering and the markets in which Reflect competes are rapidly changing. As a result, Reflect's prospects must be considered in light of the risks, expenses and difficulties frequently encountered by growing companies in new and rapidly evolving markets. Reflect may be unable to accomplish any of the following, which would materially impact Reflect's ability to implement its business plan:

- establishing and maintaining broad market acceptance of Reflect's technology, solutions, services, and platforms, and converting that acceptance into direct and indirect sources of revenue;
- establishing and maintaining adoption of Reflect's technology, solutions, services, and platforms in and on a variety of environments, experiences, and device types;
- timely and successfully developing new technology, solution, service, and platform features, and increasing the functionality and features of Reflect's existing technology, solution, service, and platform offerings;
- developing technology, solutions, services, and platforms that result in a high degree of customer satisfaction and a high level of end-customer usage;
- successfully responding to competition, including competition from emerging technologies and solutions;
- developing and maintaining strategic relationships to enhance the distribution, features, content and utility of Reflect's technology, solutions, services and platforms; and
- identifying, attracting and retaining talented engineering, network operations, program management, technical services, creative services, and other personnel at reasonable market compensation rates in the markets in which Reflect employs such personnel.

Reflect's business strategy may be unsuccessful, and Reflect may be unable to address the risks Reflect faces in a cost-effective manner, if at all. If Reflect is unable to successfully accomplish these tasks, its business may be harmed.

Reflect expects that there will be significant consolidation in Reflect's industry. Reflect's failure to participate in that consolidation could have a severe adverse impact on Reflect's access to financing, customers, technology, and human resources.

Reflect's industry is currently composed of a large number of relatively small businesses, no single one of which is dominant. Accordingly, Reflect believes that substantial consolidation may occur in Reflect's industry in the near future. If Reflect does not play a positive role in that consolidation, either as a leader or as a participant whose capability is merged into a larger entity, Reflect may be left out of this process, with product offerings of lesser value and diversity compared with those of Reflect's competitors. Moreover, even if Reflect leads the consolidation process, the market may not validate the decisions Reflect makes in that process.

Reflect's success depends on Reflect's digital signage technologies achieving and maintaining widespread acceptance in Reflect's targeted markets.

Reflect's success will depend to a large extent on broad market acceptance of Reflect's digital signage technologies among Reflect's current and prospective customers. Reflect's prospective customers may still not use its solutions for a number of other reasons, including preference for static advertising, lack of familiarity with Reflect's technology, or preference for competing technologies. Reflect believes that the acceptance of Reflect's digital signage technologies by prospective customers will depend primarily on the following factors:

- Reflect's ability to demonstrate the economic and other benefits attendant to Reflect's digital signage offerings;
- Reflect's customers becoming comfortable with using Reflect's digital signage technologies; and
- the reliability of Reflect's digital signage technologies.

Reflect's digital signage technologies are complex and must meet stringent user requirements. Some undetected errors or defects may only become apparent as new functions are added to Reflect's technologies and products. The need to repair or replace products with design or manufacturing defects could temporarily delay the sale of new products and adversely affect Reflect's reputation. Delays, costs and damage to Reflect's reputation due to product defects could harm its business.

Reflect's continued growth and financial performance could be adversely affected by the loss of several key customers.

Reflect's largest customers account for a significant portion of Reflect's total revenue on a consolidated basis. Reflect had four customers that accounted for 69.5% and 71.8% of revenue for the nine months ended September 30, 2021 and the year ended December 31, 2020, respectively.

Decisions by one or more of these key customers to not renew, terminate or substantially reduce their use of Reflect's products, technology, services, and platform could substantially slow Reflect's revenue growth and lead to a decline in revenue.

If Reflect does not manage its growth effectively, the quality of Reflect's platform and solutions may suffer, and its business, results of operations and financial condition may be adversely affected.

The continued growth in Reflect's business may place demands on its infrastructure and its operational, managerial, administrative and financial resources. Reflect's success will depend on the ability of Reflect's management to manage growth effectively. Among other things, this will require Reflect at various times to:

- strategically invest in the development and enhancement of Reflect's platform;
- improve coordination among Reflect's engineering, product, operations and other support organizations;
- manage multiple relationships with various partners, customers and other third parties;
- develop Reflect's operating, administrative, legal, financial and accounting systems and controls; and
- recruit, hire, train and retain personnel, especially those possessing extensive engineering skills and experience in complex technologies, of which there is limited supply and increasing demand.

If Reflect does not manage its growth well, the efficacy and performance of Reflect's platform may suffer, which could harm Reflect's reputation and reduce demand for Reflect's platform and solutions. Failure to manage future growth effectively could have an adverse effect on Reflect's business, results of operations and financial condition.

Changes in a shift in product mix can have a significant impact on Reflect's gross margins.

Certain of Reflect's products have higher gross profit margins than others. Consequently, changes in the product mix of Reflect's sales from quarter-to-quarter or from year-to-year could have a significant impact on Reflect's reported gross margins.

It is common for Reflect's current and prospective customers to take a long time to evaluate Reflect's products, most especially during economic downturns that affect Reflect's customers' businesses, including as a result of the COVID-19 pandemic. The lengthy and variable sales cycle makes it difficult to predict Reflect's operating results.

It is difficult for Reflect to forecast the timing and recognition of revenue from sales of Reflect's products and services because Reflect's actual and prospective customers often take significant time to evaluate Reflect's products before committing to a purchase. Even after making their first purchases of Reflect's products and services, existing customers may not make significant purchases of those products and services for a long period of time following their initial purchases, if at all. The period between initial customer contact and a purchase by a customer may be years with potentially an even longer period separating initial purchases and any significant purchases thereafter. During the evaluation period, prospective customers may decide not to purchase or may scale down proposed orders of Reflect's products for various reasons, including:

- reduced need to upgrade existing visual marketing systems;
- introduction of products by Reflect's competitors;
- lower prices offered by Reflect's competitors; and
- changes in budgets and purchasing priorities.

Reflect's prospective customers routinely require education regarding the use and benefit of Reflect's products. This may also lead to delays in receiving customers' orders.

Reflect is subject to payment-related risks if customers dispute or do not pay their invoices, and any decreases or significant delays in payments could have a material adverse effect on Reflect's business, results of operations and financial condition.

Reflect may have customers who are adversely impacted by economic or market conditions or otherwise have credit issues. Accordingly, in certain cases, customers have been unable to timely make payments, and Reflect has suffered losses.

If Reflect is unable to collect customers' fees on a timely basis or at all, Reflect could incur write-offs for bad debt, which could have a material adverse effect on Reflect's results of operations for the periods in which the write-offs occur. In the future, bad debt may exceed reserves for such contingencies, and Reflect's bad debt exposure may increase over time. Any increase in write-offs for bad debt could have a materially negative effect on Reflect's business, financial condition and operating results. Even if Reflect is not paid by its customers on time or at all, Reflect may still be obligated to pay for the cloud services resources that Reflect has purchased in order to meet customer demands, and, consequently, Reflect's results of operations and financial condition would be adversely impacted.

Reflect's industry is characterized by frequent technological change. If Reflect is unable to adapt Reflect's products and services and develop new products and services to keep up with these rapid changes, Reflect will not be able to obtain or maintain market share.

The market for Reflect's products and services is characterized by rapidly changing technology, evolving industry standards, changes in customer needs, heavy competition and frequent new product and service introductions. If Reflect fails to develop new products and services or modify or improve existing products and services in response to these changes in technology, customer demands or industry standards, Reflect's products and services could become less competitive.

Reflect must respond to changing technology and industry standards in a timely and cost-effective manner. Reflect may not be successful in using new technologies, developing new products and services or enhancing existing products and services in a timely and cost-effective manner. Furthermore, even if Reflect successfully adapts its products and services, these new technologies or enhancements may not achieve market acceptance.

Reflect's proprietary platform architectures and software underlying certain of its services are complex and may contain unknown errors in design or implementation that could result in system performance failures or inability to scale.

The platform architecture, software and integration layers underlying Reflect's proprietary platforms, Reflect's contract administration, procurement, timekeeping, content and network management, network services, device management, virtualized services, software automation and other tools, and back-end services are complex and include specially developed software and code. This software and code are developed internally, licensed from third parties, or integrated by in-house personnel and third parties. Any of the system architecture, system administration, integration layers, software or code may contain errors, or may be implemented or interpreted incorrectly, particularly when they are first introduced or when new versions or enhancements to Reflect's tools and services are released. Consequently, Reflect's systems could experience performance failure, or Reflect may be unable to scale Reflect's systems, which may:

- adversely impact Reflect's relationship with customers and others who experience system failure, possibly leading to a loss of affected and unaffected customers;
- increase Reflect's costs related to product development or service delivery; or
- adversely affect Reflect's revenues and expenses.

Reflect competes with other companies that have more resources, which puts Reflect at a competitive disadvantage.

The market for digital signage technologies is generally highly competitive and Reflect expects competition to increase in the future. Some of Reflect's competitors or potential competitors may have significantly greater financial, technical and marketing resources than Reflect. These competitors may be able to respond more rapidly than Reflect can to new or emerging technologies or changes in customer requirements. They may also devote greater resources to the development, promotion and sale of their products than Reflect.

Reflect expects competitors to continue to improve the performance of their current products and to introduce new products, services and technologies. Successful new product and service introductions or enhancements by Reflect's competitors could reduce sales and the market acceptance of Reflect's products and services, cause intense price competition or make Reflect's products and services obsolete. To be competitive, Reflect must continue to invest significant resources in research and development, sales and marketing and customer support. If Reflect does not have sufficient resources to make these investments or are unable to make the technological advances necessary to be competitive, Reflect's competitive position will suffer. Increased competition could result in price reductions, fewer customer orders, reduced margins and loss of market share. Reflect's failure to compete successfully against current or future competitors could adversely affect Reflect's business and financial condition.

Reflect may need additional capital in the future to meet its financial obligations and to pursue its business objectives and anticipated growth. Additional capital may not be available on favorable terms, or at all, which could compromise Reflect's ability to meet Reflect's financial obligations and grow Reflect's business.

Reflect may need to raise additional capital to fund operations in the future or to finance business objectives and anticipated growth. Such additional capital may not be available on favorable terms or at all. Lack of sufficient capital resources could significantly limit Reflect's ability to meet its financial obligations or to take advantage of business, strategic and growth opportunities. Any debt financing Reflect secures in the future could involve restrictive covenants relating to Reflect's capital raising activities and other financial and operational matters, which may make it more difficult for Reflect to obtain additional capital and to pursue business opportunities, including potential acquisitions. If Reflect is unable to obtain adequate financing or financing on terms satisfactory to Reflect when Reflect requires it, Reflect may be required to delay, reduce the scope of, or eliminate material parts of its business strategy, including development of new technologies, internal growth and geographic expansion.

Reflect's future success depends on key personnel and Reflect's ability to attract and retain additional personnel.

If Reflect fails to retain its key personnel or to attract, retain and motivate other qualified employees, Reflect's ability to maintain and develop its business may be adversely affected. Reflect's future success depends significantly on the continued service of Reflect's key development engineers, sales and senior management personnel and their ability to execute Reflect's growth strategy. The loss of the services of Reflect's key employees could harm its business. Reflect may be unable to retain Reflect's employees or to attract, assimilate and retain other highly qualified employees who could migrate to other employers who offer competitive or superior compensation packages.

Labor shortages or increases in labor costs could adversely impact Reflect's business and results of operations.

Reflect relies heavily on its employees and any shortage of qualified labor could adversely affect its business. If Reflect is not successful in its recruiting and retention efforts due to general labor shortages or otherwise, Reflect could encounter a shortage of qualified employees in future periods. Any such shortage would decrease Reflect's ability to serve its customers effectively. Such a shortage may also require Reflect to pay higher wages for employees and incur a corresponding reduction in its profitability. Improvements in the economy and labor markets also could impact Reflect's ability to attract and retain key personnel. Rising wages across an improving economy could increase the competition among employers for a scarce labor force and make it difficult for Reflect to attract and retain key personnel.

Reflect's reliance on information management and transaction systems to operate its business exposes Reflect to cyber incidents, hacking of its sensitive information and security breaches.

Effective information security internal controls are necessary for Reflect to protect its sensitive information from illegal activities and unauthorized disclosure in addition to denial of service attacks and corruption of Reflect's data. In certain cases, Reflect relies on the information security internal controls maintained by Reflect's outsourced service provider. Breaches of Reflect's information management system could also adversely affect Reflect's business reputation. Finally, significant information system disruptions could adversely affect Reflect's ability to effectively manage operations or reliably report results.

Because Reflect's technology, products, platform, and services are complex and are deployed in and across complex environments, they may have errors or defects that could seriously harm Reflect's business.

Reflect's technology, proprietary platforms, products and services are complex and are designed to operate in and across data centers, large and complex networks, and other elements of the digital media workflow that Reflect does not own or control. On an ongoing basis, Reflect needs to perform proactive maintenance services on its platform and related software services to correct errors and defects. In the future, there may be additional errors and defects in Reflect's software that may adversely affect its services. If Reflect is unable to efficiently and cost-effectively fix errors or other problems that may be identified, Reflect could experience loss of revenues and market share, damage to its reputation, increased expenses and legal actions by its customers.

Reflect's third party service providers may have insufficient network or server capacity or connectivity issues, which could result in interruptions in Reflect's services and loss of revenues.

Reflect's operations are dependent in part upon: network capacity provided by third-party telecommunications networks; data center services provider owned and leased infrastructure and capacity; and adequate internet connectivity at customer locations. Collectively, this infrastructure, equipment, and capacity must be sufficiently robust to handle all of Reflect's customers' web-traffic, particularly in the event of unexpected surges in high-definition video traffic and network services incidents. Reflect's service providers may not be adequately prepared for unexpected increases in bandwidth and related infrastructure demands from Reflect's customers. In addition, the bandwidth Reflect has contracted to purchase may become unavailable for a variety of reasons, including payment disputes, outages, or such service providers going out of business. Any failure of these service providers or Reflect's own infrastructure to provide the capacity Reflect requires, due to financial or other reasons, may result in a reduction in, or interruption of, service to Reflect's customers, leading to an immediate decline in revenue and possible additional decline in revenue as a result of subsequent customer losses.

Reflect's business operations are susceptible to interruptions caused by events beyond Reflect's control.

Reflect's business operations are susceptible to interruptions caused by events beyond Reflect's control. Reflect is vulnerable to the following potential problems, among others:

- Reflect's platform, technology, products, and services and underlying infrastructure, or that of Reflect's key suppliers, may be damaged or destroyed by events beyond Reflect's control, such as fires, tornadoes, floods, power outages or telecommunications failures;

- Reflect and its customers and/or partners may experience interruptions in service as a result of the accidental or malicious actions of Internet users, hackers or current or former employees;

- Reflect may face liability for transmitting viruses to third parties that damage or impair their access to computer networks, programs, data or information, and eliminating computer viruses and alleviating other security problems may require interruptions, delays or cessation of service to Reflect's customers; and

- failure of Reflect's systems or those of its suppliers may disrupt service to Reflect's customers (and from Reflect's customers to their customers), which could materially impact Reflect's operations (and the operations of Reflect's customers), adversely affect Reflect's relationships with Reflect's customers and lead to lawsuits and contingent liability.

The markets in which Reflect operates are rapidly evolving, and Reflect may be unable to compete successfully against existing or future competitors to its business.

The market in which Reflect operates is becoming increasingly competitive. Reflect's current competitors generally include general digital signage companies, specialized digital signage operators targeting certain vertical markets (e.g., financial services), content management software companies, or integrators and vertical solution providers who develop single implementations of content distribution, digital signage technology, and related services. These competitors, including future new competitors who may emerge, may be able to develop a comparable or superior solution capabilities, software platform, technology stack, and/or series of services that provide a similar or more robust set of features and functionality than the technology, products and services Reflect offers. If this occurs, Reflect may be unable to grow and its profitability could be adversely impacted.

Whether or not Reflect has superior products, many of these current and potential future competitors have a longer operating histories in their current respective business areas and greater market presence, brand recognition, engineering and marketing capabilities, and financial, technological and personnel resources than Reflect does. Existing and potential competitors with an extended operating history, even if not directly related to Reflect's business, have an inherent marketing advantage because of the reluctance of many potential customers to entrust key operations to a company that may be perceived as new, emerging or unproven. In addition, Reflect's existing and potential future competitors may be able to use their extensive resources to:

- develop and deploy new products and services more quickly and effectively than Reflect can;

- develop, improve and expand their platforms and related infrastructures more quickly than Reflect can;

- reduce costs, particularly hardware costs, because of discounts associated with large volume purchases and longer-term relationships and commitments;

- offer less expensive products, technology, platform, and services as a result of a lower cost structure, greater capital reserves or otherwise;

- adapt more swiftly and completely to new or emerging technologies and changes in customer requirements;

- take advantage of acquisition and other opportunities more readily; and

- devote greater resources to the marketing and sales of their products, technology, platform and services.

If Reflect is unable to compete effectively in Reflect's various markets, or if competitive pressures place downward pressure on the prices at which Reflect offers, its products and services, Reflect's business, financial condition and results of operations may suffer.

RISKS RELATED TO CYBER SECURITY AND INTELLECTUAL PROPERTY

Reflect is subject to cyber security risks and interruptions or failures in Reflect's information technology systems and will likely need to expend additional resources to enhance Reflect's protection from such risks. Notwithstanding Reflect's efforts, a cyber incident could occur and result in information theft, data corruption, operational disruption and/or financial loss.

Reflect depends on digital technologies to process and record financial and operating data and rely on sophisticated information technology systems and infrastructure to support Reflect's business, including process control technology. At the same time, cyber incidents, including deliberate attacks, have increased. The U.S. government has issued public warnings that indicate that energy assets might be specific targets of cyber security threats. Reflect's technologies, systems and networks and those of Reflect's vendors, suppliers and other business partners may become the target of cyberattacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of proprietary and other information, or other disruption of business operations. In addition, certain cyber incidents, such as surveillance, may remain undetected for an extended period. Reflect's systems for protecting against cyber security risks may not be sufficient. As the sophistication of cyber incidents continues to evolve, Reflect will likely be required to expend additional resources to continue to modify or enhance Reflect's protective measures or to investigate and remediate any vulnerability to cyber incidents. Additionally, any of these systems may be susceptible to outages due to fire, floods, power loss, telecommunications failures, usage errors by employees, computer viruses, cyber-attacks or other security breaches or similar events. The failure of any of Reflect's information technology systems may cause disruptions in Reflect's operations, which could adversely affect Reflect's revenues and profitability.

Reflect's business may be adversely affected by malicious applications that interfere with, or exploit security flaws in, Reflect's products and services.

Reflect's business may be adversely affected by malicious applications that make changes to Reflect's customers' computer systems and interfere with the operation and use of Reflect's products or products that impact Reflect's business. These applications may attempt to interfere with Reflect's ability to communicate with its customers' devices. The interference may occur without disclosure to or consent from Reflect's customers, resulting in a negative experience that Reflect's customers may associate with its products and services. These applications may be difficult or impossible to uninstall or disable, may reinstall themselves and may circumvent other applications' efforts to block or remove them. The ability to provide customers with a superior digital signage technology experience is critical to Reflect's success. If Reflect's efforts to combat these malicious applications fail, or if Reflect's products and services have actual or perceived vulnerabilities, there may be claims based on such failure or Reflect's reputation may be harmed, which could damage its business and financial condition. Additionally, Reflect may need to spend more funds to protect against these risks.

A portion of Reflect's business involves the use of software technology that Reflect has developed or licensed. Industries involving the ownership and licensing of software-based intellectual property are characterized by frequent intellectual-property litigation, and Reflect could face claims of infringement by others in the industry. Such claims could be costly and add uncertainty to Reflect's operational results.

A portion of Reflect's business involves Reflect's ownership and licensing of software. This market space is characterized by frequent intellectual property claims and litigation. Reflect could be subject to claims of infringement of third-party intellectual-property rights resulting in significant expense and the potential loss of Reflect's own intellectual property rights. From time to time, third parties may assert copyright, trademark, patent or other intellectual property rights to technologies that are important to Reflect's business. Any litigation to determine the validity of these claims, including claims arising through Reflect's contractual indemnification of Reflect's business partners, regardless of their merit or resolution, would likely be costly and time consuming and divert the efforts and attention of Reflect's management and technical personnel. If any such litigation resulted in an adverse ruling, Reflect could be required to:

- pay substantial damages;
- cease the development, use, licensing or sale of infringing products;
- discontinue the use of certain technology; or
- obtain a license under the intellectual property rights of the third party claiming infringement, which license may not be available on reasonable terms or at all.

RISKS RELATED TO GOVERNMENT REGULATION

Any actual or perceived failure by Reflect to comply with legal or regulatory requirements related to privacy or data security in one or multiple jurisdictions could result in proceedings, actions, or penalties against Reflect.

There are numerous state, federal and foreign laws, regulations, decisions and directives regarding privacy and the collection, storage, transmission, use, processing, disclosure, and protection of personally identifiable information and other personal, customer or other data, the scope of which is continually evolving and subject to differing interpretations. The restrictions imposed by these laws and regulations may limit the use and adoption of Reflect's products, reduce overall demand for Reflect's products, require Reflect to modify its data handling practices and impose additional costs and burdens. In addition, U.S. and international laws that have been applied to protect user privacy may be subject to evolving interpretations or applications in light of privacy developments. As a result, Reflect may be subject to significant consequences, including penalties and fines, for any failure to comply with such laws, regulations and directives.

The technology industry is subject to increasing scrutiny that could result in government actions that could negatively affect Reflect's business.

Reflect may face claims relating to the information or content that is made available through its products. Though Reflect contractually requires its customers to represent that they will follow Reflect's policies with respect to all information or content they upload to Reflect's systems, Reflect may be exposed to potential liability if its customers do not enforce such policies. In particular, the nature of Reflect's business may expose it to claims related to defamation, dissemination of misinformation or news hoaxes, discrimination, harassment, intellectual property rights, rights of publicity and privacy, personal injury torts, laws regulating hate speech or other types of content, and breach of contract, among others. The technology industry is subject to intense media, political and regulatory scrutiny, including legislation that could make digital signage less effective or limit the nature or scope of digital out of home advertising, which could negatively impact Reflect's business.

Compliance with existing, new or modified laws and regulations could increase the cost of conducting Reflect's business, limit the opportunities to increase Reflect's revenues, or prevent Reflect from offering products. While Reflect has adopted policies and procedures designed to ensure compliance with applicable laws and regulations, there can be no assurance that Reflect's employees, contractors or agents will not violate such laws and regulations. If Reflect is found to have violated laws and regulations, it could materially adversely affect Reflect's reputation, financial condition and operating results. Reflect also could be harmed by government investigations, litigation, or changes in laws and regulations directed at Reflect's customers, business partners, or suppliers in the technology industry that would have the effect of limiting Reflect's ability to do business with those entities. There can be no assurance that Reflect's business will not be materially adversely affected, individually or in the aggregate, by the outcomes of such investigations, litigation or changes to laws and regulations in the future.

Exhibit 99.3

REFLECT SYSTEMS, INC.
BALANCE SHEETS
As of September 30, 2021 (unaudited) and December 31, 2020

	(unaudited) September 30, 2021	December 31, 2020
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 3,885,683	$ 2,726,431
Accounts receivable	2,350,895	3,609,113
Contract assets	18,000	—
Work-in-progress	174,228	6,111
Prepaid expenses and other current assets	105,202	169,560
Total current assets	6,534,008	6,511,215
PROPERTY AND EQUIPMENT, NET	313,697	419,932
CAPITALIZED SOFTWARE DEVELOPMENT, NET	2,792,388	2,944,452
DEFERRED INCOME TAX ASSET, NET	3,172,485	3,105,207
OTHER ASSETS	35,816	35,816
TOTAL ASSETS	$ 12,848,394	$ 13,016,622
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$ 644,964	$ 632,679
Accrued liabilities	323,348	368,578
Contract liabilities	2,562,727	3,069,591
Deferred rent and tenant allowance, current portion	109,929	104,173
Note payable, current portion	500,000	500,000
Total current liabilities	4,140,968	4,675,021
Deferred rent and tenant allowance, net of current portion	147,485	231,371
Note payable, net of current portion	708,333	1,083,333
TOTAL LIABILITIES	4,996,786	5,989,725
TEMPORARY STOCKHOLDERS' EQUITY		
Series A preferred stock, $0.001 par value, 3,000,000 shares authorized, issued and outstanding $4,600,200 liquidation preference	2,303,000	2,303,000
Series B preferred stock, $0.001 par value, 2,472,443 shares authorized, issued and outstanding $4,089,421 liquidation preference	2,047,182	2,047,182
Series C preferred stock, $0.001 par value, 10,400,000 shares authorized, 3,727,613 issued and outstanding $6,709,703 liquidation preference	3,358,579	3,358,579
Series C-1 preferred stock, $0.001 par value, 8,000,000 shares authorized, issued and outstanding $12,000,000 liquidation preference	6,008,000	6,008,000
Series D preferred stock, $0.001 par value, 4,000,000 shares authorized, issued and outstanding $4,000,000 liquidation preference	2,004,000	2,004,000
TOTAL TEMPORARY STOCKHOLDERS' EQUITY	15,720,761	15,720,761
STOCKHOLDERS' DEFICIT		
Common stock, $0.001 par value, 35,000,0000 shares authorized; 6,258,505 issued and outstanding	6,259	6,259
Additional paid-in capital	1,567,119	1,567,119
Accumulated deficit	(9,442,531)	(10,267,242)
TOTAL STOCKHOLDERS' DEFICIT	(7,869,153)	(8,693,864)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 12,848,394	$ 13,016,622

The accompanying notes are an integral part of these financial statements.

REFLECT SYSTEMS, INC.
STATEMENTS OF OPERATIONS
For the nine month periods ended September 30, 2021 and 2020
(Unaudited)

	2021	2020
REVENUES		
Services	$ 7,283,776	$ 7,280,852
Hardware	1,107,899	1,810,636
Total revenue	8,391,675	9,091,488
COST OF REVENUES		
Services	2,056,533	2,250,283
Hardware	806,165	1,683,123
Total cost of revenues	2,862,698	3,933,406
Gross profit	5,528,977	5,158,082
OPERATING EXPENSES		
Salaries and wages	4,108,896	4,478,581
Contract labor and other employee expenses	223,683	171,005
Selling expenses	446,088	446,587
Depreciation	111,371	117,098
Rent expense	265,702	250,066
Other operating expenses	558,209	404,805
Total operating expenses	5,713,949	5,868,142
Loss from operations	(184,972)	(710,060)
OTHER INCOME (EXPENSE)		
Interest income	491	2,438
Interest expense	(57,661)	(77,828)
Forgiveness of Paycheck Protection Program loan	998,393	—
Total other income (expense)	941,223	(75,390)
Net income (loss) before income tax benefit	756,251	(785,450)
Income tax benefit	68,460	223,576
NET INCOME (LOSS)	$ 824,711	$ (561,874)

The accompanying notes are an integral part of these financial statements.

REFLECT SYSTEMS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
For the nine month periods ended September 30, 2021 and 2020
(Unaudited)

	Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Deficit
Balance, January 1, 2020	6,258,505	$ 6,259	$ 1,555,548	$ (11,126,603)	$ (9,564,796)
Stock-based compensation	—	—	8,679	—	8,679
Net loss	—	—	—	(561,874)	(561,874)
Balance, September 30, 2020	6,258,505	$ 6,259	$ 1,564,227	$ (11,688,477)	$ (10,117,991)

	Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Deficit
Balance, January 1, 2021	6,258,505	$ 6,259	$ 1,567,119	$ (10,267,242)	$ (8,693,864)
Net Income	—	—	—	824,711	824,711
Balance, September 30, 2021	6,258,505	$ 6,259	$ 1,567,119	$ (9,442,531)	$ (7,869,153)

The accompanying notes are an integral part of these financial statements.

REFLECT SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
For the nine month periods ended September 30, 2021 and 2020
(Unaudited)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	$ 824,711	$ (561,874)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation expense	111,371	117,098
Capitalized software amortization expense	826,790	827,176
Stock-based compensation expense	—	8,679
Deferred income taxes	(67,278)	(228,667)
Forgiveness on Paycheck Protection Program loan	(998,393)	—
Changes in operating assets and liabilities:		
Accounts receivable	1,258,218	2,093,965
Contract assets	(18,000)	—
Work-in-progress	(168,117)	646,570
Prepaid expenses and other current assets	64,358	133,272
Accounts payable	12,285	(663,994)
Accrued liabilities	(45,230)	(652,459)
Contract liabilities	(506,864)	(1,016,260)
Deferred rent and tenant allowance	(78,130)	(72,374)
Net cash provided by operating activities	1,215,721	631,132
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(5,136)	(8,360)
Software development costs	(674,726)	(765,074)
Net cash used in investing activities	(679,862)	(773,434)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	998,393	1,062,400
Payments on note payable	(375,000)	(291,667)
Net cash provided by financing activities	623,393	770,733
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,159,252	628,431
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	2,726,431	3,064,703
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 3,885,683	$ 3,693,134
SUPPLEMENTAL INFORMATION:		
Cash paid for taxes	$ 17,110	$ 5,051
Cash paid for interest	$ 57,661	$ 73,313

The accompanying notes are an integral part of these financial statements.

REFLECT SYSTEMS, INC.
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. Organization and Nature of Operations

Reflect Systems, Inc. (the Company) was incorporated under the laws of the State of Delaware on September 7, 2001. The Company began operations on September 11, 2001.

The Company develops, manufactures, licenses, and supports a suite of software products that provide enterprises and retailers the ability to create, manage and distribute bandwidth-intensive applications, including streaming media and digital signage content, across LAN/WAN, internet and satellite-based networks. The Company also provides maintenance, digital media advertising, professional training and product support services as well as resells third-party hardware and internet-based communication and information services.

Effective January 12, 2016, the Company formed a subsidiary, Reflect Acquisition, LLC, a Texas limited liability company. For the nine month periods ended September 30, 2021 and 2020, Reflect Acquisition, LLC had no activity.

2. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, and a credit agreement. The carrying amounts of these instruments approximate their respective fair values because of their short-term maturities or the underlying terms of these instruments. The estimated fair value of the credit agreement also approximates carrying value because the terms are comparable to similar lending arrangements in the marketplace.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The standards update outlines a single comprehensive model for an entity to utilize to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that will be received in exchange for the goods and services. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company has elected to adopt the new standard effective January 1, 2020, the first day of the Company's fiscal year, and has applied the new standard to all contracts not completed as of that date. The Company adopted the new standard using the modified retrospective method and elected applicable practical expedients on adoption. The adoption of ASU 2014-09 did not have a material impact on the Company's financial statements.

2. Significant Accounting Policies (cont.)

During February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. During 2018, the FASB also issued ASU No. 2018-01, *Land Easement Practical Expedient*, which permits an entity to elect an optional transition practical expedient to not evaluate land easements that existed or expired before the entity's adoption of Topic 842 and that were not previously accounted for under ASC 840; ASU 2018-10, *Codification Improvements to Topic 842, Leases*, which addresses narrow aspects of the guidance originally issued in ASU No. 2016-02; ASU 2018-11, *Targeted Improvements*, which provides entities with an additional (and optional) transition method whereby an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and also provides lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component; and ASU No. 2018-20, *Narrow-Scope Improvements for Lessors*, which addresses sales and other similar taxes collected from lessees, certain lessor costs, and the recognition of variable payments for contracts with lease and nonlease components. During 2019, the FASB issued ASU No. 2019-01, *Leases (Topic 842): Codification Improvements*, which deferred the effective date for certain entities and, during 2020, issued ASU No. 2020-05, *Effective Dates for Certain Entities*, which deferred the effective date of ASU No. 2016-02 for those entities that had not yet issued their financial statements at the time of ASU No. 2020-05's issuance. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows.

During December 2019, the FASB issued ASU No. 2019-12, *Simplifying the Accounting for Income Taxes*. ASU No. 2019-12 simplifies the accounting for income taxes by removing the following exceptions: (a) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items; (b) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (c) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (d) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The ASU also makes the following amendments to the guidance: (a) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a nonincome-based tax; (b) requiring that an entity evaluate when a step-up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction; (c) specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements, however, an entity may elect to do so (on an entity-by-entity basis) for a legal entity that is both not subject to tax and disregarded by the taxing authority; (d) requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date; and (e) and making minor Codification improvements for income taxes related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. ASU No. 2019-12 is effective for fiscal years beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. Early adoption is permitted. The Company is currently assessing the effect that ASU No. 2019-12 will have on its results of operation, financial position and cash flows.

During June 2016, the FASB issued ASU No. 2016-13, "Measurement of Credit Losses on Financial Instruments." ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. During November 2018, April 2019, May 2019, November 2019 and March 2020, the FASB also issued ASU No. 2018-19, "Codification Improvements to Topic 326, Financial Instruments — Credit Losses", ASU No. 2019-04, "Codification Improvements to Topic 326, Financial Instruments — Credit Losses"; ASU No. 2019-05 "Targeted Transition Relief"; ASU No. 2019-11, "Codification Improvements to Topic 326, Financial Instruments — Credit Losses"; and ASU No. 2020-03 "Codification Improvements to Financial Instruments." ASU No. 2018-19 clarifies the effective date for nonpublic entities and that receivables arising from operating leases are not within the scope of Subtopic 326-20, ASU Nos. 2019-04 and 2019-05 amend the transition guidance provided in ASU No. 2016-13, and ASU Nos. 2019-11 and 2020-03 amend ASU No. 2016-13 to clarify, correct errors in, or improve the guidance. ASU No. 2016-13 (as amended) is effective for annual periods and interim periods within those annual periods beginning after December 15, 2022. Early adoption is permitted for annual and interim periods beginning after December 15, 2018. The Company is currently assessing the impact that ASU 2016-13 will have on its results of operation, financial position and cash flows.

2. Significant Accounting Policies (cont.)

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash or cash equivalents. The Company maintains cash deposits with federally insured financial institutions that may, at times, exceed federally insured limits. The Company has not incurred any losses from such accounts, and management considers the risk to be minimal.

Accounts Receivable

Accounts receivable represents the uncollected portion of amounts recorded as revenues or deferred revenues. Management performs periodic analyses to evaluate all outstanding accounts receivable to estimate an allowance for doubtful accounts that may not be collectible, based on the best facts available to management. Management considers historical collection patterns, accounts receivable aging trends and specific identification of disputed invoices in its analyses. After all reasonable attempts to collect a receivable have failed, the receivable is written off against the allowance for doubtful accounts. For the nine month periods ended September 30, 2021 and 2020, the Company did not record any bad debt expense. As of September 30, 2021 and December 31, 2020, there was no allowance for doubtful accounts.

Property and Equipment

Property and equipment are reported at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Leasehold improvements are amortized using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease. Useful lives of property and equipment is as follows:

	Useful Lives
Computer equipment	3 years
Office furniture and fixtures	5 years

Additions and major repairs or replacements of property and equipment that increase the life of an asset, are capitalized over the asset's estimated remaining useful life. Maintenance, repairs and minor replacements are charged to expense as incurred. Cost and the related accumulated depreciation on assets retired or otherwise disposed of are removed from the accounts, and related gains or losses are included in operating expenses.

Software Development Costs

The Company capitalizes the costs incurred to develop software for internal use during the application development stage. Costs incurred during the preliminary project planning stage, along with post-implementation stages, are expensed as incurred. Capitalized costs are amortized using the straight-line method over the estimated useful life of the developed product, typically five years. Amortization expense is included in cost of revenues in the accompanying Statements of Operations.

Long-Lived Assets

Long-lived assets, including property and equipment and capitalized software development, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Recoverability of these assets is generally measured by a comparison of the carrying value of the asset to the estimated future undiscounted cash flows expected to be generated by the related asset. Any impairment is recognized in the period that such determination is made for the amount by which the carrying value exceeds the fair value of the asset. There were no impairment charges recorded for the nine month periods ended September 30, 2021 and 2020.

2. Significant Accounting Policies (cont.)

Revenue Recognition

The Company provides customers channel access to a digital product content database and access to tools by which to create, store, manage and distribute their product's digital content for consumers via either Software-as-a-Service (SaaS) or an on-premise software license. The Company also provides software maintenance, digital media advertising, professional training and product support services. Additionally, the Company resells third-party hardware and internet-based communication and information services. The Company accounts for revenue from contracts with customers, which comprises 100 percent of its revenue, through the following steps:

1. Identification of the contract with a customer
2. Identification of the performance obligations in the contract
3. Determination of the transaction price
4. Allocation of the transaction price to the performance obligations in the contract
5. Recognition of revenue when, or as, the Company satisfies a performance obligation

Generally, SaaS and maintenance and support services are invoiced annually or bi-annually in advance of the services being provided to the customer. On-premise software licenses are invoiced upon the delivery of the license to the customer which can occur either upon shipment of the media device containing the software or at the time the download link for the software is transmitted to the customer. Nonrecurring professional services and third-party services are generally invoiced monthly in arrears after services have been provided to the customer. Sales of third-party hardware (which includes digital signage equipment) often require the customer to prepay all or a portion of the amount due in advance. Upon the delivery of the hardware, the customer is invoiced for the net amount due after application of the advance payment. Invoiced amounts are due between thirty and forty-five days from the invoice date.

The Company's contract consideration is generally variable based on a fixed per item charge applied to a variable quantity of units. Variable consideration received for the Company's services is generally recognized over time in accordance with the "right to invoice" practical expedient and therefore is not subject to revenue constraint evaluation.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products or providing services. Revenue is recognized when the Company satisfies its performance obligations under the contract by transferring the promised product or service to its customer.

The Company's contracts generally do not include any material significant financing components.

Performance Obligations

The Company typically satisfies its performance obligations for SaaS, maintenance and support, nonrecurring professional and third-party services over time as the services are provided to the customer and the customer receives and consumes the benefits of the services.

The Company satisfies its performance obligations with respect to the provision of on-premise software licenses and third-party hardware at the point in time when the customer obtains control of the license or hardware upon delivery.

The Company has established a contract liability for payments received in advance of providing SaaS and maintenance and support services, on-premise software licenses and third-party hardware to customers. These are classified as contract liabilities in the accompanying Balance Sheets.

2. Significant Accounting Policies (cont.)

Practical Expedients

As part of the adoption of Topic 606, the Company has elected the following practical expedients provided for in the standard.

1. The Company has elected to not adjust the promised amount of consideration for the effect of a significant financing component if it expects, at contract inception, that the period between the Company's transfer of a promised good or service to a customer and the customer's payment for that good or service will be one year or less.

2. The Company is excluding from its transaction price all sales and similar taxes collected from its customers.

3. The Company has elected to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

4. The Company has elected to account for shipping and handling activities that occur after control of the related good transfers as fulfillment activities instead of assessing such activities as performance obligations.

5. The portfolio approach has been elected, when applicable, by the Company as it expects any effects of adoption would not be materially different in application at the portfolio level compared with the application at an individual contract level.

6. The Company has elected the "right to invoice" expedient which states that for performance obligations satisfied over time, if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the entity may recognize revenue in the amount to which the entity has a right to invoice.

7. The Company has elected not to disclose information about its remaining performance obligations for any contract that has an original expected duration of one year or less.

Disaggregation of Revenue From Contracts With Customers

The following table disaggregates the Company's revenue based on the timing of the transfer of products and services to customers:

	Nine month period ended September 30, 2021	
	Amount	**Percentage**
Revenue recognized over time	$ 6,984,915	83.2%
Revenue recognized at a point in time	1,406,760	16.8%
Total revenue	$ 8,391,675	100.0%

	Nine month period ended September 30, 2020	
	Amount	**Percentage**
Revenue recognized over time	$ 6,585,751	72.4%
Revenue recognized at a point in time	2,505,737	27.6%
Total revenue	$ 9,091,488	100.0%

Neither the type of product or service sold nor the location of sale significantly impacts the nature, amount, timing, or uncertainty of revenue and cash flows.

2. Significant Accounting Policies (cont.)

Stock-Based Compensation

Stock options are accounted for using the grant date fair value method. Under this method, stock-based compensation expense is measured by the estimated fair value of the granted stock options at the date of grant, using the Black-Scholes option pricing model, and recognized over the vesting period with a corresponding increase to additional paid-in capital.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company estimates its income taxes in preparing the financial statements. This process involves estimating the actual current tax exposure together with deferred tax assets and liabilities. The Company has not established a valuation allowance to reserve deferred tax assets, as management believes the recovery of deferred tax assets is more likely than not of being recovered from future taxable income prior to expiration.

The Company has adopted ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*, and classified all deferred tax assets and liabilities, along with any related valuation allowance, as noncurrent on the balance sheets.

Advertising and Promotion Costs

Advertising and other marketing costs are expensed when incurred and totaled $446,088 and $408,573 for the nine month periods ended September 30, 2021 and 2020, respectively. These costs are included in the Statements of Operations as selling expenses.

Research and Development

Research and development costs, excluding the capitalized software development, are expensed as incurred. For the nine month periods ended September 30, 2021 and 2020, research and development expense was $820,836 and $766,007, respectively.

Concentrations

As of September 30, 2021, two customers represented 58 percent and 10 percent of the Company’s accounts receivable. As of December 31, 2020, one customer represented 74 percent of the Company’s accounts receivable. As of September 30, 2021, two vendors represented 53 percent and 19 percent of the Company’s accounts payable. As of December 31, 2020, one vendor represented 78 percent of the Company’s accounts payable.

For the nine month period ended September 30, 2021, four customers represented 29 percent, 17 percent, 12 percent and 11 percent of the Company’s total revenue. For the nine month period ended September 30, 2020, three customers represented 28 percent, 22 percent and 15 percent of the Company’s total revenue. The Company performs ongoing credit evaluations and does not require collateral. It maintains no reserves for potential losses based on the nature of its clients and historical collection patterns.

3. Property and Equipment, Net

Property and equipment consisted of the following at September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Computer equipment	$ 301,487	$ 296,350
Furniture and fixtures	18,733	18,733
Leasehold improvements	776,633	776,633
	1,096,852	1,091,716
Less accumulated depreciation	(783,155)	(671,784)
Property and equipment, net	$ 313,697	$ 419,932

Depreciation expense was $111,371 and $117,098 for the nine month periods ended September 30, 2021 and 2020, respectively.

4. Software Development Costs, Net

Capitalized software consisted of the following at September 30, 2021 and December 31, 2020:

	Useful Life	September 30, 2021	December 31, 2020
Capitalized software	5 years	$ 7,205,362	$ 6,530,636
Less: accumulated amortization		(4,412,974)	(3,586,184)
Capitalized software development, net		$ 2,792,388	$ 2,944,452

The Company begins amortization of the capitalized software costs, over the estimated useful life of five years, once the product has been placed into service. Amortization expense related to software development costs was $826,790 and $827,176, for the nine month periods ended September 30, 2021 and 2020, respectively.

5. Commitments and Contingencies

Operating Leases

The Company leases its headquarters along with additional storage space in Richardson, Texas. In addition, the Company leases certain equipment and furniture under an operating lease agreement. These lease agreements expire on various dates through December 31, 2023. Future minimum lease payments required under the related operating lease agreements as of September 30, 2021 are as follows:

Three months ended December 31:	
2021	$ 70,994
Years ended December 31:	
2022	291,650
2023	299,325
Total	$ 661,969

Rent expense for the nine month periods ended September 30, 2021 and 2020 was $265,702 and $250,066, respectively.

Litigation

The Company may be subject to certain claims and contingent liabilities that arise in the normal course of business. None of these, in the opinion of management, are expected to have a material adverse effect on the Company’s financial position, results of operations, or cash flows.

6. Debt

On February 1, 2019, the Company entered into a $2,000,000 Credit Agreement with a maturity of February 1, 2024. The Credit Agreement requires monthly interest payments beginning on March 1, 2019 and monthly principal payments of $41,667, beginning on March 1, 2020. The loan bears interest at a rate of 5.35 percent per annum. As of September 30, 2021 and December 31, 2020, the balance on the loan was $1,208,333 and $1,583,333, respectively.

Under the Credit Agreement, the Company also entered into a revolving line of credit with a maximum borrowing of $500,000. The Credit Agreement requires monthly interest payments until its maturity. On August 16, 2021, the Company amended its revolving line of credit extending the maturity to July 15, 2022.

The line of credit bears interest at the Prime Rate as published by the Wall Street Journal (3.25 percent at both September 30, 2021 and December 31, 2020). As of September 30, 2021 and December 31, 2020, the outstanding balance on the line of credit was $0.

The credit agreement is collateralized by substantially all assets of the Company. The credit agreement requires the Company to meet certain financial and nonfinancial covenants. At September 30, 2021, the Company was in compliance with its debt covenants.

Future minimum payments required under the credit agreement as of September 30, 2021 are as follows:

Three months ended December 31, 2021:	
2021	$ 125,000
Years ended December 31, 2021:	
2022	500,000
2023	500,000
2024	83,333
Total	$ 1,208,333

7. Paycheck Protection Program Loan

On April 29, 2020, the Company received loan proceeds in the amount of $1,062,400 under the Paycheck Protection Program (PPP) which was established as part of the Coronavirus Aid, Relief and Economic Security (CARES) Act and is administered through the Small Business Administration (SBA). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a “covered period” (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25 percent during the covered period. Any unforgiven portion is payable over 2 years at an interest rate of 1 percent with payments deferred until the SBA remits the borrower’s loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

If any portion of the Company’s PPP loan is not forgiven, the Company will be required to repay that portion, plus interest, with the repayment term beginning at the time the SBA remits the amount forgiven to the Company’s lender. On November 13, 2020, the Company received legal forgiveness on the PPP loan proceeds of $1,062,400.

On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act (Economic Aid Act) was enacted, permitting Second Draw PPP loans. In January 2021, the Company applied for and was approved for a second loan draw (PPP 2) pursuant to the Economic Aid Act, administered by the U.S. Small Business Administration.

7. Paycheck Protection Program Loan (cont.)

The Company received $998,393 of loan proceeds with an effective date of January 28, 2021, with a maturity of five years and will bear interest at 1 percent per annum. Under the terms of the PPP 2, loan payments will be deferred for the Company if they apply for loan forgiveness until SBA remits the Company's loan forgiveness amount to the lender. If the Company does not apply for loan forgiveness, payments are deferred seventeen months from the date of PPP 2 issuance. The Company received legal forgiveness of the PPP 2 loan proceeds of $998,393 on July 16, 2021.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

8. Stock-Based Compensation

In 2002, the Company's board of directors established a long-term incentive plan (the Plan), under which options to purchase shares of common stock are made available for grant to qualified consultants, directors, or employees of the Company. The Plan is authorized to issue up to 3,326,087 shares of the Company's common stock. The Plan expired in 2012 after the initial 10-year life; however, the Board of Directors continued to grant Board approved options after the Plan's expiration.

The vesting of the options is determined by the Company as defined in the option agreements and may be immediately vested in whole or over multiple years. The Company recognizes compensation expense for options granted to employees or directors using the straight-line method over the vesting period. All nonvested stock options issued as of the date of the option holder's termination will be forfeited, with the exception of certain nonvested stock options granted to executive management that have special vesting provisions upon involuntary termination or resignation. The special provisions call for the accelerated vesting of a portion of the option shares granted to the employee.

A summary of option activity for the nine month periods ended September 30, 2021 and 2020 is as follows:

	Number of Options Outstanding	Weighted Average Exercise Price
Balance at January 1, 2020	2,383,000	$ 0.30
Granted	170,000	0.30
Exercised	—	—
Forfeited	(233,000)	0.30
Balance at September 30, 2020	2,320,000	$ 0.30

	Number of Options Outstanding	Weighted Average Exercise Price
Balance at January 1, 2021	2,325,000	$ 0.30
Granted	491,994	0.30
Vested	—	—
Forfeited	(147,500)	0.30
Balance at September 30, 2021	2,669,494	$ 0.30

8. Stock-Based Compensation (cont.)

The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model. The Company determined that the grant date fair value of the options for the nine month period ended September 30, 2021 was immaterial to the financial statements and therefore recorded no compensation expense. The grant date fair value of the options for the nine month period ended September 30, 2020 was $0.02 and the Company recorded $8,679 of stock compensation expense. The Black Scholes option pricing model used the following weighted average assumptions, along with no dividends, for the nine month periods ended September 30, 2021 and 2021.

Method Inputs	2021	2020
Share price	$ 0.17	$ 0.17
Volatility	50%	50%
Weighted average risk free rate	1.08% – 1.64%	0.62% – 1.76%
Expected life	6 years	6 years

The Company also estimated a forfeiture rate of 14% and 15% for the nine month periods ended September 30, 2021 and 2020, respectively. The Black-Scholes option-pricing model requires the input of highly subjective assumptions. The Company calculates expected volatility for stock options based upon the volatility of public companies of similar size and industry as the Company believes the expected volatility will approximate historical volatility. The risk-free rate is based on U.S. Treasury rates with a remaining term that approximates the expected life of the option. The Company continues to assess the assumptions and methodologies used to calculate the established fair value of share-based compensation. Circumstances may change and additional data may become available over time, which could result in changes to these assumptions and methodologies, which could materially impact the fair value determinations.

Options outstanding and exercisable as of September 30, 2021 are as follows:

	Options Outstanding		
Exercise Price	Number of Options	Weighted-Average Remaining Contractual Life	Number of Options Exercisable
$ 0.30	2,669,494	5.60	2,499,807

Options outstanding and exercisable as of September 30, 2020 are as follows:

	Options Outstanding		
Exercise Price	Number of Options	Weighted-Average Remaining Contractual Life	Number of Options Exercisable
$ 0.30	2,320,000	5.67	2,159,271

9. Income Taxes

The components of the Company's provision for income taxes for the nine month periods ended September 30, 2021 and 2020 were as follows:

	2021	2020
Current income tax benefit:		
State income tax benefit (expense)	$ 1,182	$ (5,091)
Total current income tax benefit (expense)	1,182	(5,091)
Deferred income tax benefit:		
Federal income tax benefit	58,723	201,848
State income tax benefit	8,555	26,819
Total deferred income tax benefit	67,278	228,667
Total income tax benefit	$ 68,460	$ 223,576

9. Income Taxes (cont.)

The tax effects of temporary differences that give rise to significant portions of the deferred taxes as of September 30, 2021 and December 2020 are as follows:

	September 30, 2021	December 30, 2020
Deferred tax assets and liabilities:		
Net operating losses	$ 3,235,218	$ 3,195,974
Research credits	492,005	484,005
Deferred rent	56,966	75,046
Option expense	25,616	25,890
Deferred payroll tax	21,043	42,513
Software development	(617,962)	(658,540)
Property and equipment	(40,401)	(59,681)
Net deferred tax asset	$ 3,172,485	$ 3,105,207

As of September 30, 2021 and December 31, 2020, the Company had a net operating loss carryforward of $15,207,261 and $15,031,883 respectively. The net operating losses generated in 2017 and earlier are eligible for carryforward for a period of 20 years which will begin to expire in 2031. The annual utilization of the net operating losses generated in 2018 and forward, do not have an expiration, but are limited to 80 percent of taxable income in future years.

10. Temporary Stockholders' Equity

All preferred shares are entitled to vote with common stock on an as-converted basis. The Board of Directors as of September 30, 2021 and December 31, 2020, had authorized the issuance of 27,872,443 shares in five series of preferred stock, each with a par value of $0.001, as set forth below:

	Shares Authorized	Shares Issued and Outstanding	Par Value	Issuance Price	Non-cumulative Dividend Rate	Liquidation Preference	Conversion Price
Series A	3,000,000	3,000,000	$ 0.001	$ 0.77	$ 0.05	$ 1.53	$ 0.73
Series B	2,472,443	2,472,443	0.001	0.83	0.06	1.65	0.78
Series C	10,400,000	3,727,613	0.001	0.90	0.06	1.80	0.85
Series C-1	8,000,000	8,000,000	0.001	0.75	0.05	1.50	0.72
Series D	4,000,000	4,000,000	0.001	0.50	0.04	1.00	0.50
	27,872,443	21,200,056					

The preferred stock includes an optional holder redemption feature in which the holders can request redemption of the stock to be paid in three equal installments. The redemption amount is based on the original issue price of the preferred stock and is at the option of the majority preferred stockholders upon written request. As this redemption feature does not meet the definition of unconditional obligation to transfer assets and is not certain to occur until the request occurs in the applicable time period, the preferred stock is not considered mandatorily redeemable stock, but is rather contingently redeemable and therefore classified as temporary equity. Accordingly, all preferred stock with a carrying value of $15,720,761 is classified as temporary equity because the Company cannot control whether or not it will settle the redemption of preferred stock in cash or common stock. No redemption requests have been received as the date these financial statements were available for issuance and therefore, it is not probable that the redemption will occur. As a result, no changes have been made to the carrying value of the temporary equity as of September 30, 2021 and December 31, 2020.

Each share of preferred stock is convertible into common stock at the option of the holder based on a conversion price as defined in the Fourth Amended and Restated Certification of Incorporation which may be adjusted based on stock dividends, splits, mergers and reorganizations as well as adjusted if there is a future dilutive issuance of common stock at a price lower than the original issue price of the preferred stock. All preferred stock will automatically convert upon public offering of at least five times the original Series D issue price in which net proceeds are at least $35,000,000 or upon an event specified by vote or written consent of the majority stockholders.

10. Temporary Stockholders' Equity (cont.)

In the event of a voluntary or involuntary liquidation, dissolution or winding up of the Corporation, the holders of the preferred stock are entitled to be paid out of the assets of the corporation available for distribution to its stockholders or out of the consideration payable to the stockholders prior to the payment is made to the holders of common stock**.** If, however, the assets available for distribution to the holders of preferred stock are not sufficient to permit payment to such stockholders of the full liquidation preference, then all the assets of the Company shall be distributed ratably to the holders of preferred stock as defined in the Fourth Amended and Restated Certificate of Incorporation.

11. Stockholders' Deficit

Common Stock

The Company is authorized to issue 35,000,000 shares of common stock with par value of $0.001 per share. Holders of the common stock are entitled to one vote per share.

12. Subsequent Events

The Company has evaluated all material events and transactions that occurred subsequent to September 30, 2021, the balance sheet date, through December 3, 2021, and determined there were no other events or transactions which would impact these financial statements for the nine month period ended September 30, 2021, except as noted below.

On November 12, 2021, the Company entered into an Agreement and Plan of Merger ("Merger Agreement") with Creative Realities, Inc. for an approximate aggregate purchase price of $31,000,000.

INDEPENDENT AUDITORS' REPORT

To the Stockholders and Board of Directors of
Reflect Systems, Inc.:

We have audited the accompanying financial statements of Reflect Systems, Inc. (the "Company"), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the financial statements, the Company has recorded a change in accounting principle in relation to the Company's classification of preferred stock as the Company is now considered to be a public business entity based on Accounting Standards Update No. 2013-12 and is required to apply Accounting Standards Codification 480-10-S99-3A for determining the classification of its preferred stock. Our opinion is not modified with respect to that matter.

BAKER TILLY US, LLP
Plano, Texas
July 16, 2021, except for the effects of the change in accounting principle as described in Note 2 and 11 to the financial statements as to which the date is November 11, 2021

REFLECT SYSTEMS, INC.
BALANCE SHEETS
As of December 31, 2020 and 2019

	2020	2019
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 2,726,431	$ 3,064,703
Accounts receivable	3,609,113	3,162,191
Work-in-progress	6,111	683,550
Prepaid expenses and other current assets	169,560	247,625
Total current assets	6,511,215	7,158,069
PROPERTY AND EQUIPMENT, NET	419,932	566,794
CAPITALIZED SOFTWARE DEVELOPMENT, NET	2,944,452	3,021,842
DEFERRED INCOME TAX ASSET, NET	3,105,207	2,951,690
OTHER ASSETS	35,816	35,816
TOTAL ASSETS	$ 13,016,622	$ 13,734,211
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable	$ 632,679	$ 1,537,596
Accrued liabilities	368,578	818,929
Contract liabilities	3,069,591	2,789,679
Deferred rent and tenant allowance, current portion	104,173	96,498
Note payable, current portion	500,000	416,667
Total current liabilities	4,675,021	5,659,369
Deferred rent and tenant allowance, net of current portion	231,371	335,544
Note payable, net of current portion	1,083,333	1,583,333
TOTAL LIABILITIES	5,989,725	7,578,246
TEMPORARY STOCKHOLDERS' EQUITY		
Series A preferred stock, $0.001 par value, 3,000,000 shares authorized, issued and outstanding; $4,600,200 liquidation preference	2,303,000	2,303,000
Series B preferred stock, $0.001 par value, 2,472,443 shares authorized, issued and outstanding; $4,089,421 liquidation preference	2,047,182	2,047,182
Series C preferred stock, $0.001 par value, 10,400,000 shares authorized, 3,727,613 issued and outstanding; $6,709,703 liquidation preference	3,358,579	3,358,579
Series C-1 preferred stock, $0.001 par value, 8,000,000 shares authorized, issued and outstanding; $12,000,000 liquidation preference	6,008,000	6,008,000
Series D preferred stock, $0.001 par value, 4,000,000 shares authorized, issued and outstanding; $4,000,000 liquidation preference	2,004,000	2,004,000
TOTAL TEMPORARY STOCKHOLDERS' EQUITY	15,720,761	15,720,761
STOCKHOLDERS' DEFICIT		
Common stock, $0.001 par value, 35,000,0000 shares authorized; 6,258,505 issued and outstanding	6,259	6,259
Additional paid-in capital	1,567,119	1,555,548
Accumulated deficit	(10,267,242)	(11,126,603)
TOTAL STOCKHOLDERS' DEFICIT	(8,693,864)	(9,564,796)
TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT	$ 13,016,622	$ 13,734,211

The accompanying notes are an integral part of these financial statements.

REFLECT SYSTEMS, INC.
STATEMENTS OF OPERATIONS
For the years ended December 31, 2020 and 2019

	2020	2019
REVENUES		
Services	$ 10,061,939	$ 11,967,389
Hardware	1,962,971	4,183,333
Total revenues	12,024,910	16,150,722
COST OF REVENUES		
Services	2,841,390	4,466,687
Hardware	1,798,893	3,139,715
Total cost of revenues	4,640,283	7,606,402
Gross profit	7,384,627	8,544,320
OPERATING EXPENSES		
Salaries and wages	5,825,078	5,504,201
Contract labor and other employee expenses	239,511	447,536
Selling expenses	549,612	610,880
Depreciation	155,223	142,865
Rent expense	330,731	330,355
Other operating expenses	530,131	1,118,204
Total operating expenses	7,630,286	8,154,041
(Loss) income from operations	(245,659)	390,279
OTHER INCOME (EXPENSE)		
Interest income	2,585	9,240
Interest expense	(95,852)	(85,600)
Forgiveness on Paycheck Protection Program loan	1,062,400	—
Total other income (expense)	969,133	(76,360)
Net income before income tax benefit	723,474	313,919
Income tax benefit	135,887	30,100
NET INCOME	$ 859,361	$ 344,019

The accompanying notes are an integral part of these financial statements.

REFLECT SYSTEMS, INC.
STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT
For the years ended December 31, 2020 and 2019

	Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Deficit
Balance, December 31, 2018	6,258,505	$ 6,259	$ 1,540,832	$ (11,470,622)	$ (9,923,531)
Stock-based compensation	—	—	14,716	—	14,716
Net income	—	—	—	344,019	344,019
Balance, December 31, 2019	6,258,505	$ 6,259	$ 1,555,548	$ (11,126,603)	$ (9,564,796)
Stock-based compensation	—	—	11,571	—	11,571
Net income	—	—	—	859,361	859,361
Balance, December 31, 2020	6,258,505	$ 6,259	$ 1,567,119	$ (10,267,242)	$ (8,693,864)

The accompanying notes are an integral part of these financial statements.

REFLECT SYSTEMS, INC.
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 859,361	$ 344,019
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	155,223	142,865
Capitalized software amortization expense	1,080,154	951,799
Forgiveness on Paycheck Protection Program loan	(1,062,400)	—
Stock-based compensation expense	11,571	14,716
Deferred income taxes	(153,517)	(24,409)
Changes in operating assets and liabilities:		
Accounts receivable	(446,922)	(1,768,641)
Work-in-progress	677,439	(667,929)
Prepaid expenses and other current assets	78,065	(118,280)
Accounts payable	(904,917)	984,920
Accrued liabilities	(450,351)	359,139
Contract liabilities	279,912	1,348,595
Deferred rent and tenant allowance	(96,498)	(88,823)
Net cash provided by operating activities	27,120	1,477,971
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(8,361)	(82,489)
Software development costs	(1,002,764)	(1,498,177)
Net cash used in investing activities	(1,011,125)	(1,580,666)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Paycheck Protection Program loan	1,062,400	—
Borrowings on note payable	—	2,000,000
Payments on note payable	(416,667)	—
Net cash provided by financing activities	645,733	2,000,000
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(338,272)	1,897,305
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,064,703	1,167,398
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 2,726,431	$ 3,064,703
SUPPLEMENTAL INFORMATION:		
Cash paid for taxes	$ 14,752	$ 14,899
Cash paid for interest	$ 86,638	$ 76,386

The accompanying notes are an integral part of these financial statements.

NOTE 1 — ORGANIZATION AND NATURE OF OPERATIONS

Reflect Systems, Inc. (the "Company") was incorporated under the laws of the State of Delaware on September 7, 2001. The Company began operations on September 11, 2001.

The Company develops, manufactures, licenses, and supports a suite of software products that provide enterprises and retailers the ability to create, manage and distribute bandwidth-intensive applications, including streaming media and digital signage content, across LAN/WAN, internet and satellite-based networks. The Company also provides maintenance, digital media advertising, professional training and product support services as well as resells third-party hardware and internet-based communication and information services.

Effective January 12, 2016, the Company formed a subsidiary, Reflect Acquisition, LLC, a Texas limited liability company. For the years ended December 31, 2020 and 2019, Reflect Acquisition, LLC has had no activity.

NOTE 2 — CHANGE IN ACCOUNTING PRINCIPLE

The Company has recorded a change in accounting principle as of and for the years ended December 31, 2020 and 2019, as the Company now meets the definition of a public business entity based on Accounting Standards Update ("ASU") No. 2013-12 since the financial statements will be included in a Form S-4 filing of Creative Realities, Inc. and therefore, must be prepared in accordance with Regulation S-X requirements. The financial statements have been updated to classify the preferred stock that is contingently redeemable within temporary equity in accordance with Accounting Standards Codification ("ASC") 480-10-S99-3A. As a result, the Company reclassified $15,720,761 from permanent equity to temporary equity as of December 31, 2020 and 2019. There was no change to the statement of operations or cash flows as a result of the change in accounting principle. See footnote 11.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying audited financial statements for the years ended December 31, 2020 and 2019 have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The Company's financial instruments consist primarily of cash and cash equivalents, accounts receivable, accounts payable, and a credit agreement. The carrying amounts of these instruments approximate their respective fair values because of their short-term maturities or the underlying terms of these instruments. The estimated fair value of the credit agreement also approximates carrying value because the terms are comparable to similar lending arrangements in the marketplace.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued ASU No. 2014-09, "Revenue from Contracts with Customers (Topic 606)". The standards update outlines a single comprehensive model for an entity to utilize to recognize revenue when it transfers goods or services to customers in an amount that reflects the consideration that will be received in exchange for the goods and services. The ASU and all subsequently issued clarifying ASUs replaced most existing revenue recognition guidance in U.S. GAAP. The ASU also required expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company has elected to adopt the new standard effective January 1, 2020, the first day of the Company's fiscal year, and has applied the new standard to all contracts not completed as of that date. The Company adopted the new standard using the modified retrospective method and elected applicable practical expedients on adoption. The adoption of ASU 2014-09 did not have a material impact on the Company's financial statements.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

During February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." ASU No. 2016-02 requires lessees to recognize the assets and liabilities that arise from leases on the balance sheet. A lessee should recognize in the statement of financial position a liability to make lease payments (the lease liability) and a right-of-use asset representing its right to use the underlying asset for the lease term. During 2018, the FASB also issued ASU No. 2018-01, "Land Easement Practical Expedient", which permits an entity to elect an optional transition practical expedient to not evaluate land easements that existed or expired before the entity's adoption of Topic 842 and that were not previously accounted for under ASC 840; ASU 2018-10, "Codification Improvements to Topic 842, Leases", which addresses narrow aspects of the guidance originally issued in ASU No. 2016-02; ASU 2018-11, "Targeted Improvements", which provides entities with an additional (and optional) transition method whereby an entity initially applies the new leases standard at the adoption date and recognizes a cumulative-effect adjustment to the opening balance of retained earnings in the period of adoption and also provides lessors with a practical expedient, by class of underlying asset, to not separate nonlease components from the associated lease component and, instead, to account for those components as a single component; and ASU No. 2018-20, "Narrow-Scope Improvements for Lessors", which addresses sales and other similar taxes collected from lessees, certain lessor costs, and the recognition of variable payments for contracts with lease and nonlease components. During 2019, the FASB issued ASU No. 2019-01, "Leases (Topic 842): Codification Improvements", which deferred the effective date for certain entities and, during 2020, issued ASU No. 2020-05, "Effective Dates for Certain Entities", which deferred the effective date of ASU No. 2016-02 for those entities that had not yet issued their financial statements at the time of ASU No. 2020-05's issuance. Topic 842 (as amended) is effective for annual periods beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early adoption is permitted. The Company is currently assessing the effect that Topic 842 (as amended) will have on its results of operations, financial position and cash flows.

During December 2019, the FASB issued ASU No. 2019-12, "Simplifying the Accounting for Income Taxes." ASU No. 2019-12 simplifies the accounting for income taxes by removing the following exceptions: (a) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items; (b) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment; (c) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary; and (d) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. The ASU also makes the following amendments to the guidance: (a) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax; (b) requiring that an entity evaluate when a step-up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction; (c) specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements, however, an entity may elect to do so (on an entity-by-entity basis) for a legal entity that is both not subject to tax and disregarded by the taxing authority; (d) requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date; and (e) and making minor Codification improvements for income taxes related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. ASU No. 2019-12 is effective for fiscal years beginning after December 15, 2021, and interim periods within annual periods beginning after December 15, 2022. Early adoption is permitted. The Company is currently assessing the effect that ASU No. 2019-12 will have on its results of operation, financial position and cash flows.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

Cash and Cash Equivalents

The Company considers all highly liquid investments with an original maturity of three months or less to be cash or cash equivalents. The Company maintains cash deposits with federally insured financial institutions that may, at times, exceed federally insured limits. The Company has not incurred any losses from such accounts, and management considers the risk to be minimal.

Accounts Receivable

Accounts receivable represents the uncollected portion of amounts recorded as revenues or deferred revenues. Management performs periodic analyses to evaluate all outstanding accounts receivable to estimate an allowance for doubtful accounts that may not be collectible, based on the best facts available to management. Management considers historical collection patterns, accounts receivable aging trends and specific identification of disputed invoices in its analyses. After all reasonable attempts to collect a receivable have failed, the receivable is written off against the allowance for doubtful accounts. For the year ended December 31, 2020, the Company did not recorded any bad debt expense. For the year ended December 31, 2019, $344,490 of bad debt expense was recorded after a customer erroneously paid its outstanding invoices using fraudulent wire instructions. As of December 31, 2020 and 2019, there was no allowance for doubtful accounts.

Property and Equipment

Property and equipment are reported at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life of the asset. Leasehold improvements are amortized using the straight-line method, over the shorter of the estimated useful life of the improvement or the remaining term of the lease. Useful lives of property and equipment is as follows:

	Useful Lives
Computer equipment	3 years
Office furniture and fixtures	5 years

Additions and major repairs or replacements of property and equipment that increase the life of an asset, are capitalized over the asset's estimated remaining useful life. Maintenance, repairs and minor replacements are charged to expense as incurred. Cost and the related accumulated depreciation on assets retired or otherwise disposed of are removed from the accounts, and related gains or losses are included in operating expenses.

Software Development Costs

The Company capitalizes the costs incurred to develop software for internal use during the application development stage. Costs incurred during the preliminary project planning stage, along with post-implementation stages, are expensed as incurred. Capitalized costs are amortized using the straight-line method over the estimated useful life of the developed product, typically five years. Amortization expense is included in cost of revenues in the accompanying statements of operations.

Long-Lived Assets

Long-lived assets, including property and equipment and capitalized software development, are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amounts may not be recoverable. Recoverability of these assets is generally measured by a comparison of the carrying value of the asset to the estimated future undiscounted cash flows expected to be generated by the related asset. Any impairment is recognized in the period that such determination is made for the amount by which the carrying value exceeds the fair value of the asset. There were no impairment charges recorded for the years ended December 31, 2020 and 2019.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

Revenue Recognition — prior to Adoption of ASC 606

The Company enters into arrangements with multiple-deliverables that generally include software licenses or subscriptions, maintenance, hardware, and installation services. The Company commences recognition of revenue when there is persuasive evidence of an agreement, the price is fixed or determinable, collectability is reasonably assured, and the services are performed or products are delivered. Revenue related to software licenses and hardware is recognized upon delivery, installation revenue is recognized once the install is complete, and subscription and maintenance revenue is recognized ratably over the life of the agreement. The Company also sells digital media advertising which is recognized once the service has been provided to its customer.

Arrangement consideration is allocated to deliverables based on their relative selling price. In order to treat deliverables in a multiple-deliverable arrangement as a separate unit of accounting, the deliverables must have standalone value upon delivery. The Company's maintenance services have standalone value as such services can be sold separately. In determining whether installation services have standalone value apart from maintenance services, the Company considers various factors including the availability of the services from other vendors. The Company has concluded that the multiple-deliverable arrangements have standalone value. For software license arrangements, the determination of relative selling price is limited to vendor-specific objective evidence ("VSOE"), which the Company has established using the substantive renewal method.

Cost of revenue includes direct costs to produce and distribute products and the direct costs associated with the delivery of online services, professional services, product support, and resold hardware. Work in process, on the accompanying balance sheets, represent costs incurred prior to the delivery of goods or services to the customer. Deferred revenue, on the accompanying balance sheets, consists of upfront customer deposits or unearned revenue related to subscription and maintenance agreements.

Revenue Recognition — after Adoption of ASC 606

The Company provides customers channel access to a digital product content database and access to tools by which to create, store, manage and distribute their product's digital content for consumers via either Software-as-a-Service ("SaaS") or an on-premise software license. The Company also provides software maintenance, digital media advertising, professional training and product support services. Additionally, the Company resells third-party hardware and internet-based communication and information services. The Company accounts for revenue from contracts with customers, which comprises 100% of its revenue, through the following steps:

1) Identification of the contract with a customer

2) Identification of the performance obligations in the contract

3) Determination of the transaction price

4) Allocation of the transaction price to the performance obligations in the contract

5) Recognition of revenue when, or as, the Company satisfies a performance obligation

Generally, SaaS and maintenance and support services are invoiced annually or bi-annually in advance of the services being provided to the customer. On-premise software licenses are invoiced upon the delivery of the license to the customer which can occur either upon shipment of the media device containing the software or at the time the download link for the software is transmitted to the customer. Non-recurring professional services and third-party services are generally invoiced monthly in arrears after services have been provided to the customer. Sales of third-party hardware (which includes digital signage equipment) often requires the customer to prepay all or a portion of the amount due in advance. Upon the delivery of the hardware, the customer is invoiced for the net amount due after application of the advance payment. Invoiced amounts are due between thirty and forty-five days from the invoice date.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

The Company's contract consideration is generally variable based on a fixed per item charge applied to a variable quantity of units. Variable consideration received for the Company's services is generally recognized over time in accordance with the "right to invoice" practical expedient and therefore is not subject to revenue constraint evaluation.

Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring products or providing services. Revenue is recognized when the Company satisfies its performance obligations under the contract by transferring the promised product or service to its customer.

The Company's contracts generally do not include any material significant financing components.

Performance Obligations

The Company typically satisfies its performance obligations for SaaS, maintenance and support, non-recurring professional and third-party services over time as the services are provided to the customer and the customer receives and consumes the benefits of the services.

The Company satisfies its performance obligations with respect to the provision of on-premise software licenses and third-party hardware at the point in time when the customer obtains control of the license or hardware upon delivery.

The Company has established a contract liability for payments received in advance of providing SaaS and maintenance and support services, on-premise software licenses and third-party hardware to customers. This is classified as contract liabilities in the accompanying Balance Sheets.

Practical Expedients

As part of the adoption of Topic 606, the Company has elected the following practical expedients provided for in the standard.

1) The Company has elected to not adjust the promised amount of consideration for the effect of a significant financing component if it expects, at contract inception, that the period between the Company's transfer of a promised good or service to a customer and the customer's payment for that good or service will be one year or less.

2) The Company is excluding from its transaction price all sales and similar taxes collected from its customers.

3) The Company has elected to recognize the incremental costs of obtaining a contract as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

4) The Company has elected to account for shipping and handling activities that occur after control of the related good transfers as fulfillment activities instead of assessing such activities as performance obligations.

5) The portfolio approach has been elected, when applicable, by the Company as it expects any effects of adoption would not be materially different in application at the portfolio level compared with the application at an individual contract level.

6) The Company has elected the "right to invoice" expedient which states that for performance obligations satisfied over time, if an entity has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the entity's performance completed to date, the entity may recognize revenue in the amount to which the entity has a right to invoice.

7) The Company has elected not to disclose information about its remaining performance obligations for any contract that has an original expected duration of one year or less.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

Disaggregation of Revenue from Contracts with Customers

The following table disaggregates the Company's revenue based on the timing of the transfer of products and services to customers:

	Year Ended December 31, 2020	
	Amount	**Percent**
Revenue recognized over time	$ 8,858,944	73.7%
Revenue recognized at a point in time	3,165,966	26.3%
Total revenue	$ 12,024,910	100.0%

Neither the type of product or service sold nor the location of sale significantly impacts the nature, amount, timing, or uncertainty of revenue and cash flows.

Stock-Based Compensation

Stock options are accounted for using the grant date fair value method. Under this method, stock-based compensation expense is measured by the estimated fair value of the granted stock options at the date of grant, using the Black-Scholes option pricing model, and recognized over the vesting period with a corresponding increase to additional paid-in capital.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and net operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The Company estimates its income taxes in preparing the financial statements. This process involves estimating the actual current tax exposure together with deferred tax assets and liabilities. The Company has not established a valuation allowance to reserve deferred tax assets, as management believes the recovery of deferred tax assets is more likely than not of being recovered from future taxable income prior to expiration.

The Company accounts for uncertainties in income taxes in accordance with ASC 740, "Income Taxes". ASC 740 clarifies the accounting for uncertainty in income taxes recognized in financial statements and requires the impact of a tax position to be recognized in the financial statements if that position is more likely than not of being sustained upon examination by the taxing authority. The Company accounts for interest and penalties relating to uncertain tax positions in the current Statement of Operations, if necessary. As of December 31, 2020 and 2019, the Company had no uncertain tax positions.

The Company has adopted ASU 2015-17, "Balance Sheet Classification of Deferred Taxes", and classified all deferred tax assets and liabilities, along with any related valuation allowance, as non-current on the balance sheets.

Advertising and Promotion Costs

Advertising and other marketing costs are expensed when incurred and totaled $520,275 and $380,868 for the years ended December 31, 2020 and 2019, respectively. These costs are included in the statements of operations as selling expenses.

Research and Development

Research and development costs, excluding the capitalized software development, are expensed as incurred. For the years ended December 31, 2020 and 2019, research and development expense was $1,004,571 and $839,916, respectively.

NOTE 3 — SIGNIFICANT ACCOUNTING POLICIES (cont.)

Concentrations

As of December 31, 2020, one customer represented 74% of the Company's accounts receivable. As of December 31, 2019, two customers represented 42% and 30% of the Company's accounts receivable. As of December 31, 2020, one vendor represented 78% of the Company's accounts payable. As of December 31, 2019, two vendors represented 49% and 24% of the Company's accounts payable.

For the year ended December 31, 2020, three customers represented 15%, 23% and 26% of the Company's total revenue. For the year ended December 31, 2019, four customers represented 22%, 19%, 17% and 12% of the Company's total revenue. The Company performs ongoing credit evaluations and does not require collateral. It maintains no reserves for potential losses based on the nature of its clients and historical collection patterns.

NOTE 4 — PROPERTY AND EQUIPMENT, NET

Property and equipment consisted of the following at December 31:

	2020	2019
Computer equipment	$ 296,350	$ 287,989
Furniture and fixtures	18,733	18,733
Leasehold improvements	776,633	776,633
	1,091,716	1,083,355
Less: accumulated depreciation	(671,784)	(516,561)
Property and equipment, net	$ 419,932	$ 566,794

Depreciation expense was $155,223 and $142,865 for the years ended December 31, 2020 and 2019, respectively.

NOTE 5 — SOFTWARE DEVELOPMENT COSTS, NET

Capitalized software consisted of the following at December 31:

	Useful Life	2020	2019
Capitalized software	5 years	$ 6,445,589	$ 5,442,825
Less: accumulated amortization		(3,501,137)	(2,420,983)
Capitalized software development, net		$ 2,944,452	$ 3,021,842

The Company begins amortization of the capitalized software costs, over the estimated useful life of five years, once the product has been placed into service. Amortization expense related to software development costs was $1,080,154 and $951,799 for the years ended December 31, 2020 and 2019, respectively. Amortization expense related to software development costs are included as cost of revenues in the accompanying statements of operations.

NOTE 6 — COMMITMENTS AND CONTINGENCIES

Operating Leases

The Company leases its headquarters along with additional storage space in Richardson, Texas. In addition, the Company leases certain equipment and furniture under an operating lease agreement. These lease agreements expire on various dates through December 31, 2023. Future minimum lease payments required under the related operating lease agreements as of December 31, 2020 are as follows:

2021	$ 284,903
2022	291,650
2023	299,325
Total	$ 875,878

NOTE 6 — COMMITMENTS AND CONTINGENCIES (cont.)

Rent expense for the years ended December 31, 2020 and 2019 was $330,731 and $330,355, respectively.

Litigation

The Company may be subject to certain claims and contingent liabilities that arise in the normal course of business. None of these, in the opinion of management, are expected to have a material adverse effect on the Company's financial position, results of operations, or cash flows.

NOTE 7 — DEBT

On March 9, 2018 the Company entered into a revolving line of credit with an interest rate of 6.75% and maturity date of March 9, 2019. As of December 31, 2018, there was no outstanding balance on the line of credit. On February 4, 2019 the Company elected to not renew the line of credit and closed the credit facility.

On February 1, 2019, the Company entered into a $2,000,000 Credit Agreement with a maturity of February 1, 2024. The Credit Agreement requires monthly interest payments beginning on March 1, 2019 and monthly principal payments of $41,667, beginning on March 1, 2020. The loan bears interest at a rate of 5.35% per annum. At December 31, 2020 and 2019, the balance on the loan was $1,583,333 and $2,000,000, respectively.

Under the Credit Agreement, the Company also entered into a revolving line of credit with a maximum borrowing of $500,000. The Credit Agreement requires monthly interest payments until its maturity. On February 1, 2020, the Company amended its revolving line of credit extending the maturity to July 15, 2021.

The line of credit bears interest at the Prime Rate as published by the Wall Street Journal (3.25% at December 31, 2020 and 2019). As of December 31, 2020 and 2019, there was no outstanding balance on the line of credit.

The credit agreement is collateralized by substantially all assets of the Company. The credit agreement requires the Company to meet certain financial and non-financial covenants. At December 31, 2020, the Company was in compliance with its debt covenants.

Future minimum payments required under the credit agreement as of December 31, 2020 are as follows:

2021	$ 500,000
2022	500,000
2023	500,000
2024	83,333
Total	$ 1,583,333

NOTE 8 — PAYCHECK PROTECTION PROGRAM LOAN

On April 29, 2020, the Company received loan proceeds in the amount of $1,062,400 under the Paycheck Protection Program ("PPP") which was established as part of the Coronavirus Aid, Relief and Economic Security ("CARES") Act and is administered through the Small Business Administration ("SBA"). The PPP provides loans to qualifying businesses in amounts up to 2.5 times their average monthly payroll expenses and was designed to provide a direct financial incentive for qualifying businesses to keep their workforce employed during the Coronavirus crisis. PPP loans are uncollateralized and guaranteed by the SBA and are forgivable after a "covered period" (eight or twenty-four weeks) as long as the borrower maintains its payroll levels and uses the loan proceeds for eligible expenses, including payroll, benefits, mortgage interest, rent, and utilities. The forgiveness amount will be reduced if the borrower terminates employees or reduces salaries and wages more than 25% during the covered period. Any unforgiven portion is payable over 2 years at an interest rate of 1% with payments deferred until the SBA remits the borrower's loan forgiveness amount to the lender, or, if the borrower does not apply for forgiveness, ten months after the end of the covered period. PPP loan terms provide for customary events of default, including payment defaults, breaches of representations and warranties, and insolvency events and may be accelerated upon the occurrence of one or more of these events of default. Additionally, PPP loan terms do not include prepayment penalties.

NOTE 8 — PAYCHECK PROTECTION PROGRAM LOAN (cont.)

If any portion of the Company's PPP loan is not forgiven, the Company will be required to repay that portion, plus interest, with the repayment term beginning at the time the SBA remits the amount forgiven to the Company's lender. In 2020, the Company received legal release and recorded $1,062,400 as forgiveness income within the other income in the accompanying statements of operations as of December 31, 2020.

The SBA reserves the right to audit any PPP loan, regardless of size. These audits may occur after forgiveness has been granted. In accordance with the CARES Act, all borrowers are required to maintain their PPP loan documentation for six years after the PPP loan was forgiven or repaid in full and to provide that documentation to the SBA upon request.

NOTE 9 — STOCK-BASED COMPENSATION

In 2002, the Company's board of directors established a long-term incentive plan (the "Plan"), as amended and restated on March 4, 2005, under which shares of common stock are made available for grant to qualified consultants, directors, or employees of the Company. The Plan is authorized to issue up to 3,326,087 shares of the Company's common stock. The Plan expired in 2012 after the initial 10-year life; however, the Board of Directors continued to grant Board approved options after the Plan's expiration.

The vesting of the options is determined by the Company and may be immediately vested in whole or over multiple years. The Company recognizes compensation expense for options granted to employees or directors using the straight-line method over the vesting period. As of December 31, 2020 and 2019, unrecognized stock based compensation expense was $9,344 and $16,999, respectively, and is expected to be recognized over a weighted average period of 1.95 years.

A summary of option activity for the years ended December 31, 2020 and 2019 is as follows:

	Options Outstanding	
	Number of Options	Weighted Average Exercise Price
Balance at January 1, 2019	2,694,000	$ 0.30
Granted	225,000	0.30
Exercised	—	—
Forfeited	(536,000)	0.30
Balance at December 31, 2019	2,383,000	$ 0.30
Granted	175,000	0.30
Exercised	—	—
Forfeited	(233,000)	0.30
Balance at December 31, 2020	2,325,000	$ 0.30

The fair value for these options was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions, along with no dividends, for the years ended December 31, 2020 and 2019:

Method Inputs	2020	2019
Share price	$ 0.17	$ 0.17
Volatility	50%	50%
Weighted average risk-free rate	0.62% – 1.76%	1.81% – 2.71%
Expected life (years)	6	6
Forfeiture rate	15%	15%

NOTE 9 — STOCK-BASED COMPENSATION (cont.)

The weighted average grant date fair value for options granted was $0.02 for the years ended December 31, 2020 and 2019, respectively. The Black-Scholes option-pricing model requires the input of highly subjective assumptions. The Company continues to assess the assumptions and methodologies used to calculate the established fair value of share-based compensation. Circumstances may change and additional data may become available over time, which could result in changes to these assumptions and methodologies, which could materially impact the fair value determinations. The Company recorded $11,571 and $14,716 of stock-based compensation expense for the years ended December 31, 2020 and 2019, respectively.

Options outstanding and exercisable as of December 31, 2020 are as follows:

	Options Outstanding		
Exercise Price	Number of Options	Weighted-Average Remaining Contractual Life	Number of Options Exercisable
$ 0.30	2,325,000	7.59	2,214,895
	2,325,000	7.59	2,214,895

A summary of the status of non-vested options for the year ended December 31, 2020 is as follows:

	Number of Options	Weighted Average Grant Date Fair Value
Non-vested options, January 1, 2020	197,709	$ 0.11
Granted	175,000	0.02
Vested	(226,771)	0.06
Cancelled/Forfeited	(35,833)	0.03
Non-vested options, December 31, 2020	110,105	$ 0.09

All non-vested stock options issued as of the date of the option holder's termination will be forfeited, with the exception of certain non-vested stock options granted to executive management that have special vesting provisions upon involuntary termination or resignation. The special provisions call for the accelerated vesting of a portion of the option shares granted to the employee.

NOTE 10 — INCOME TAXES

The components of the Company's provision for income taxes for the years ended December 31, 2020 and 2019 were as follows:

	2020	2019
Current income tax (expense) benefit:		
Federal income tax benefit	$ —	$ 5,133
State income tax (expense) benefit	(17,630)	558
Total current income tax (expense) benefit	(17,630)	5,691
Deferred income tax benefit (expense):		
Federal income tax benefit	125,513	37,223
State income tax benefit (expense)	28,004	(12,814)
Total deferred income tax benefit	153,517	24,409
Total income tax benefit	$ 135,887	$ 30,100

NOTE 10 — INCOME TAXES (cont.)

A reconciliation of the statutory income tax rate to the effective income tax rates as a percentage of income before income taxes is as follows:

	2020	2019
Federal statutory rate	21.00%	21.00%
State taxes	(1.26)%	1.65%
True-ups	(8.61)%	(34.97)%
Permanent differences	(29.91)%	3.57%
Effective tax rate	(18.78)%	(8.75)%

The tax effects of temporary differences that give rise to significant portions of the deferred taxes for the years ended December 31, 2020 and 2019 are as follows:

	2020	2019
Deferred tax assets and liabilities:		
Net operating losses	$ 3,195,974	$ 3,191,692
Research credits	484,005	414,620
Deferred rent	75,046	99,418
Deferred payroll tax	42,513	—
Other	25,890	27,795
Software development	(658,540)	(695,361)
Property and equipment	(59,681)	(86,474)
Net deferred tax asset	$ 3,105,207	$ 2,951,690

At December 31, 2020 and 2019 the Company had a net operating loss carryforward of $15,031,883 and $14,977,610, respectively. The net operating losses generated in 2017 and earlier are eligible for carryforward for a period of 20 years which will begin expire in 2031. The annual utilization of the net operating losses generated in 2018 and forward, do not have an expiration, but are limited to 80% percent of taxable income in future years.

NOTE 11 — TEMPORARY STOCKHOLDERS' EQUITY

All preferred shares are entitled to vote with common stock on an as-converted basis. The Board of Directors as of December 31, 2020 and 2019, had authorized the issuance of 27,872,443 shares in five series of preferred stock, each with a par value of $0.001, as set forth below:

	Shares Authorized	Shares Issued and Outstanding	Par Value	Issuance Price	Non-cumulative Dividend Rate	Liquidation Preference	Conversion Price
Preferred Series A	3,000,000	3,000,000	$ 0.001	$ 0.7667	$ 0.053669	$ 1.5334	$ 0.7314
Preferred Series B	2,472,443	2,472,443	$ 0.001	$ 0.8270	$ 0.057890	$ 1.6540	$ 0.7837
Preferred Series C	10,400,000	3,727,613	$ 0.001	$ 0.9000	$ 0.063000	$ 1.8000	$ 0.8470
Preferred Series C-1	8,000,000	8,000,000	$ 0.001	$ 0.7500	$ 0.052500	$ 1.5000	$ 0.7169
Preferred Series D	4,000,000	4,000,000	$ 0.001	$ 0.5000	$ 0.035000	$ 1.0000	$ 0.5000
	27,872,443	21,200,056					

The preferred stock includes an optional holder redemption feature in which the holders can request redemption of the stock to be paid in three equal installments. The redemption amount is based on the original issue price of the preferred stock and is at the option of the majority preferred stockholders upon written request. As this redemption feature does not meet the definition of an unconditional obligation to transfer assets and is not certain to occur until the request occurs in the applicable time period, the preferred stock is not considered mandatorily redeemable stock, but is rather contingently redeemable and therefore classified as temporary equity. Accordingly, all preferred stock with a carrying value of $15,720,761 is classified as temporary equity because the Company cannot control whether or not it will settle the redemption of preferred stock in cash or common stock. No redemption requests have been received as the date these financial statements were available for issuance and therefore, it is not probable that the redemption will occur. As a result, no changes have been made to the carrying value of the temporary equity as of December 31, 2021 and 2020.

NOTE 11 — TEMPORARY STOCKHOLDERS' EQUITY (cont.)

Each share of preferred stock is convertible into common stock at the option of the holder based on a conversion price as defined in the Fourth Amended and Restated Certification of Incorporation which may be adjusted based on stock dividends, splits, mergers and reorganizations as well as adjusted if there is a future dilutive issuance of common stock at a price lower than the original issue price of the preferred stock. All preferred stock will automatically convert upon public offering of at least five times the original Series D issue price in which net proceeds are at least $35,000,000 or upon an event specified by vote or written consent of the majority stockholders.

In the event of a voluntary or involuntary liquidation, dissolution or winding up of the Company, the holders of the preferred stock are entitled to be paid out of the assets of the corporation available for distribution to its stockholders or out of the consideration payable to the stockholders prior to the payment is made to the holders of common stock. If, however, the assets available for distribution to the holders of preferred stock are not sufficient to permit payment to such stockholders of the full liquidation preference, then all the assets of the Company shall be distributed ratably to the holders of preferred stock as defined in the fourth amended and restated certificate of incorporation.

NOTE 12 — STOCKHOLDERS' DEFICIT

Common stock

The Company is authorized to issue 35,000,000 shares of common stock with par value of $0.001 per share. Holders of the common stock are entitled to one vote per share.

NOTE 13 — SUBSEQUENT EVENTS

The Company has evaluated all material events and transactions that occurred subsequent to December 31, 2020, the balance sheet date, through July 16, 2021, the date the financial statements were available to be issued and determined there were no other events or transactions which would impact these financial statements for the year ended December 31, 2020, except as noted below.

On December 27, 2020, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act ("Economic Aid Act") was enacted, permitting Second Draw PPP loans. In January 2021, the Company applied for and was approved for a second loan draw ("PPP 2") pursuant to the Economic Aid Act, administered by the U.S. Small Business Administration. The Company received $998,393 of loan proceeds with an effective date of January 28, 2021, with a maturity of five years and will bear interest at 1% per annum. Under the terms of the PPP 2, loan payments will be deferred for the Company if they apply for loan forgiveness until SBA remits the Company's loan forgiveness amount to the lender. If the Company does not apply for loan forgiveness, payments are deferred seventeen months from the date of PPP 2 issuance.

On July 16, 2021, all of the outstanding principal and accrued interest on the PPP 2 loan were legally forgiven.

Exhibit 99.4

SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

(In dollars except share amounts)

On November 12, 2021, Creative Realities, Inc. ("Creative Realities", the "Company", or "Parent"), announced the execution of an Agreement and Plan of Merger (the "Merger Agreement"), pursuant to which Creative Realities will acquire Reflect Systems, Inc. ("Reflect") by the merger of its wholly owned subsidiary, CRI Acquisition Corporation, into Reflect, with Reflect surviving such merger and becoming a wholly owned subsidiary of the Company. The acquisition of Reflect is expected to close on or about February 15, 2022 and is referred to as the "Transaction."

The following unaudited pro forma condensed combined financial information is provided to aid you in your analysis of the financial aspects of the Transaction and has been prepared in accordance with Article 11 of Regulation S-X, as amended by the final rule, release 33-10786 "Amendments to Financial Disclosures about Acquired and Disposed Businesses."

The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2021 and for the twelve months ended December 31, 2020 give effect to the acquisition of Reflect as if it had occurred on January 1, 2020 and combine the historical statements of operations for both Creative Realities and Reflect for the respective periods presented.

The unaudited pro forma condensed combined balance sheet as of September 30, 2021 gives effect to the acquisition of Reflect as if it had occurred on September 30, 2021 and includes adjustments that give effect to factually supportable events that are directly attributable to the Transaction.

The notes to the unaudited pro forma condensed combined financial information describe the pro forma amounts and adjustments presented. The unaudited pro forma condensed combined financial information are primarily based on and should be read in conjunction with the Company's historical consolidated financial statements and accompanying notes included in the Company's periodic reports previously filed with the Securities and Exchange Commission and any related amendments, along with the historical financial statements and accompanying notes for Reflect included in reports previously filed with the Securities and Exchange Commission.

The unaudited combined pro forma financial information does not include the realization of any cost savings from operating efficiencies, synergies, dis-synergies or other restructuring activities which might result from the Transaction, and therefore, such charges are not reflected in the unaudited condensed combined pro forma financial information.

The pro forma adjustments reflecting the completion of the Transaction are based upon the acquisition method of accounting, under ASC 805 "Business Combinations," in accordance with United States Generally Accepted Accounting Principles ("U.S. GAAP") and upon the assumptions set forth in the Notes included in this section, with Creative Realities, Inc. deemed to be the acquirer for financial accounting purposes. The pro forma adjustments related to the allocation of purchase price within the unaudited pro forma condensed combined balance sheet are preliminary and subject to change and are based on the estimated fair value of the identifiable assets acquired and liabilities assumed with the excess purchase price allocated to goodwill. The final purchase price allocation will be completed no later than one year after the date of completion of the Transaction.

CREATIVE REALITIES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEETS
As of September 30, 2021
(In thousands)

	CRI	RSI	Transaction Accounting Adjustments	Notes	Pro Forma as Adjusted
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 2,772	$ 3,886	$ (3,886)	(e)	$ 4,782
			2,610	(a)	
			(600)	(l)	
Accounts receivable, net	2,591	2,351			4,942
Unbilled receivables	180	-	18	(c)	198
Accrued revenue	-	18	(18)	(c)	-
Work-in-process and inventories	1,952	174	-		2,126
Prepaid expenses and other current assets	1,517	105	-		1,622
TOTAL CURRENT ASSETS	9,012	6,534	(1,876)		13,670
Property and equipment, net	1,155	314	-		1,469
Capitalized software development costs	-	2,792	(2,792)	(d)	-
Operating right of use assets	712	-	951	(f)	1,663
Intangibles, net	3,372	-	21,000	(d)	24,372
Goodwill	7,525	-	9,933	(g)	17,458
Deferred income tax asset, net	-	3,172	(3,172)	(j)	-
Other assets	5	36	667	(k)	708
TOTAL ASSETS	$ 21,781	$ 12,848	$ 24,711		$ 59,340
LIABILITIES AND STOCKHOLDERS' EQUITY					
CURRENT LIABILITIES:					
Short-term related party convertible loans payable, net	$ 1,209	$ -	$ (1,209)	(a)	$ -
Accounts payable	1,554	645	-		2,199
Accrued expenses	1,694	323	445	(f)	2,462
Contract liabilities	-	2,563	(2,563)	(c)	-
Deferred rent and tenant allowance, current portion	-	110	(110)	(f)	-
Note payable, current portion	-	500	(500)	(e)	2,500
			2,500	(n)	
Deferred revenue	770	-	2,563	(c)	3,333
Customer deposits	368	-	-		368
Other current liabilities	283	-	-		283
TOTAL CURRENT LIABILITIES	5,878	4,141	1,126		11,145
LONG-TERM LIABILITIES:					
Long-term related party loans payable, net	4,595	-	7,316	(a)	7,316
			(4,595)	(a)	
Long-term related party convertible loans payable, net	1,042	-	3,250	(a)	4,292
Deferred rent and tenant allowance, net of current portion	-	147	(147)	(f)	-
Note payable, net of current portion	-	708	(708)	(e)	-
Accrued Expenses - noncurrent	29	-	-		29
Long-term obligations under operating leases	472	-	506	(f)	978
Contingent liability	-	-	6,067	(i)	6,067
TOTAL LIABILITIES	12,016	4,996	12,815		29,827
TEMPORARY STOCKHOLDERS' EQUITY:					
Series A preferred stock, $0.001 par value; 3,000,000 shares authorized, issued and outstanding; $4,600,200 liquidation preference	-	2,303	(2,303)	(h)	-
Series B preferred stock, $0.001 par value; 2,472,443 shares authorized, issued and outstanding; $4,089,421 liquidation preference	-	2,047	(2,047)	(h)	-
Series C preferred stock, $0.001 par value; 10,400,000 shares authorized, issued and outstanding; $6,709,703 liquidation preference	-	3,359	(3,359)	(h)	-
Series C-1 preferred stock, $0.001 par value; 8,000,000 shares authorized, issued and outstanding; $12,000,000 liquidation preference	-	6,008	(6,008)	(h)	-
Series D preferred stock, $0.001 par value; 4,000,000 shares authorized, issued and outstanding; $4,000,000 liquidation preference	-	2,004	(2,004)	(h)	-

TOTAL TEMPORARY STOCKHOLDERS' EQUITY	-	15,721	(15,721)		-
STOCKHOLDERS' EQUITY (DEFICIT):					
Common stock, $.01 par value	119	6	(6)	(h)	157
			13	(a)	
			25	(b)	
Additional paid-in capital	60,178	1,567	(1,567)	(h)	75,300
			10,147	(a)	
			4,975	(b)	
Accumulated deficit	(50,532)	(9,442)	9,442	(h)	(45,944)
			2,634	(a)	
			2,554	(a)	
			(600)	(l)	
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	9,765	(7,869)	27,617		29,513
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY (DEFICIT)	$ 21,781	$ 12,848	$ 24,711		$ 59,340

See notes to unaudited pro forma consolidated financial information

CREATIVE REALITIES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
For the Year Ended December 31, 2020
(In thousands, except per share data)

	CRI	RSI	Transaction Accounting Adjustments	Notes	Pro Forma as Adjusted
Revenues					
Sales - Hardware	$ 8,991	$ 1,963	$ -		$ 10,954
Sales - Services and Other	8,466	10,062	-		18,528
Total Sales	17,457	12,025	-		29,482
Cost of Sales					
Cost of Sales - Hardware	6,251	1,799	-		8,050
Cost of Sales - Services and Other	3,085	2,841	(472)	(c)	5,454
Total Cost of Sales	9,336	4,640	(472)		13,504
Gross profit	8,121	7,385	472		15,978
Operating Expenses:					
Sales and marketing expenses	1,676	-	2,215	(c)	3,891
Research and development expenses	1,083	-	1,192	(c)	2,275
General and administrative expenses	9,293	-	3,460	(c)	13,253
			500	(m)	
Salaries and wages	-	5,825	(5,825)	(c)	-
Contract labor and other employee expenses	-	240	(240)	(c)	-
Selling expenses	-	550	(550)	(c)	-
Rent Expense	-	331	(331)	(c)	-
Depreciation and amortization expense	1,474	155	1,080	(c)	4,629
			(1,080)	(d)	
			3,000	(d)	
Lease termination expense	18	-	-		18
(Gain)/Loss Disposal of Assets	13	-	-		13
Goodwill impairment	10,646	-	-		10,646
Other operating expenses	-	530	(530)	(c)	-
Total operating expenses	24,203	7,631	2,891		34,725
Operating loss	(16,082)	(246)	(2,419)		(18,747)
Other income (expenses):					
Interest expense, net	(1,023)	(96)	3	(c)	(3,375)
			96	(e)	
			1,023	(a)	
			(1,519)	(a)	
			(1,859)	(a)	
Interest Income	-	3	(3)	(c)	-
(Gain)/Loss on FV of debt	(93)	-	-		(93)
Gain on settlement of obligations	209	-	1,062	(c)	1,271
Forgiveness on PPP Loan	-	1,062	(1,062)	(c)	-
Exchange gain loss	(13)	-	-		(13)
Other income (expense), net	(920)	969	(2,259)		(2,210)
Net income (loss) before income taxes	(17,002)	723	(4,678)		(20,957)
Benefit/(provision) from income taxes	158	136	-		294
Net (loss) / income	$ (16,844)	$ 859	$ (4,678)		$ (20,663)
Basic loss per common share	$ (1.65)				$ (1.47)
Diluted loss per common share	$ (1.65)				$ (1.47)
Weighted average shares outstanding - basic	10,195		3,816	(b)	14,011
Weighted average shares outstanding - diluted	10,195		3,816	(b)	14,011

See notes to unaudited pro forma consolidated financial information

CREATIVE REALITIES, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
For the Nine Months Ended September 30, 2021
(In thousands, except per share data)

	CRI	RSI	Transaction Accounting Adjustments	Notes	Pro Forma as Adjusted
Revenues					
Sales - Hardware	$ 6,327	$ 1,108	$ -		$ 7,435
Sales - Services and Other	6,707	7,284	-		13,991
Total Sales	13,034	8,392	-		21,426
Cost of Sales					
Cost of Revenues					
Cost of Sales - Hardware	4,372	806	-		5,178
Cost of Sales - Services and Other	2,206	2,057	(405)	(c)	3,858
Total Cost of Sales	6,578	2,863	(405)		9,036
Gross profit	6,456	5,529	405		12,390
Operating Expenses:					
Sales and marketing expenses	834	-	1,654	(c)	2,488
Research and development expenses	455	-	852	(c)	1,307
General and administrative expenses	5,623	-	2,668	(c)	8,666
			375	(m)	
Bad debt expense/(recovery), net	(463)	-			(463)
Salaries and wages	-	4,109	(4,109)	(c)	-
Contract labor and other employee expenses	-	224	(224)	(c)	-
Selling expenses	-	446	(446)	(c)	-
Rent expense	-	266	(266)	(c)	-
Depreciation and amortization expense	1,035	111	827	(c)	3,396
			(827)	(d)	
			2,250	(d)	
Other operating expenses	-	558	(558)	(c)	-
Total operating expenses	7,484	5,714	2,196		15,394
Operating loss	(1,028)	(185)	(1,791)		(3,004)
Other income (expenses):					
Interest expense, net	(617)	(57)	57	(e)	(2,533)
			617	(a)	
			(1,139)	(a)	
			(1,394)	(a)	
(Gain)/Loss on FV of debt	166	-	-		166
Gain on settlement of obligations	3,449	998	(998)	(e)	3,449
Other	5	-	-		5
Exchange gain loss	(12)	-	-		(12)
Other income (expense), net	2,991	(941)	(2,857)		1,075
Net income (loss) before income taxes	1,963	756	(4,648)		(1,929)
Benefit/(provision) from income taxes	(9)	69	-		60
			-		
Net (loss) / income	$ 1,954	$ 825	$ (4,648)		$ (1,869)
Basic loss per common share	$ 0.17				$ (0.12)
Diluted loss per common share	$ 0.17				$ (0.12)
Weighted average shares outstanding - basic	11,692		3,945	(b)	15,637
Weighted average shares outstanding - diluted	11,692		3,945	(b)	15,637

See notes to unaudited pro forma consolidated financial information

CREATIVE REALITIES, INC.
NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION

NOTE 1 – BASIS OF PRESENTATION

The accompanying unaudited pro forma condensed combined financial information is presented on a basis consistent with Creative Realities' historical consolidated financial statements and is comprised of the following:

- The unaudited pro forma condensed combined balance sheet combines Creative Realities' unaudited consolidated balance sheet and Reflect's unaudited balance sheet as of September 30, 2021.

- The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2020 combines Creative Realities' audited consolidated statement of operations with Reflect's audited statement of operations for the year ended December 31, 2020.

- The unaudited pro forma condensed combined statements of operations for the nine months ended September 30, 2021 combines Creative Realities' unaudited consolidated statement of operations with Reflect's unaudited statement of operations for the nine month period ended September 30, 2021.

The unaudited pro forma condensed combined financial information is presented for informational purposes only, does not reflect future events that may occur after the Transaction, nor any estimates of operating efficiencies or inefficiencies that may result from the Transaction. The unaudited pro forma combined statements of operations do not claim to represent our actual results of operations that would have occurred if the Transaction had taken place on the dates specified, nor are they indicative of the results of operations that may be achieved in the future.

NOTE 2 – PURCHASE PRICE ALLOCATION

The purchase price summary and purchase price allocations are preliminary, subject to change and based on Reflect's assets and liabilities as of September 30, 2021. Final purchase price and purchase price allocations will be based on the fair value of identifiable assets acquired and liabilities assumed in accordance with U.S. GAAP on the closing date of the Transaction. Creative Realities expects to finalize the valuation and complete the purchase price summary and purchase price allocations as soon as practical, but no later than one year from the acquisition date.

Estimated Purchase Price Summary

For purposes of the pro forma financial information, the following table presents the components of the purchase price consideration (amounts in thousands), assuming an estimated working capital settlement and cash of zero:

Cash consideration for Reflect Stock	$	16,167
Cash consideration for Retention Bonus Plan		1,333
Consideration in the form of Creative Realities common stock issued to Reflect stockholders		4,667
Consideration in the form of Creative Realities common stock issued to the Retention Bonus Plan		333
Indemnity Escrow Note Payable		2,500
Excess Additional Contingent Merger Consideration based on key customer annualized recurring revenue targets, at estimated fair value		933
Base Additional Contingent Merger Consideration, at estimated fair value		5,134
Total consideration / purchase price	$	31,067

The working capital settlement adjusts the base purchase price based on the excess or shortfall of current assets less current liabilities of the Reflect on the acquisition date versus the working capital target date of zero dollars ($0). The cash settlement adjusts the base purchase price upward by an amount equal to any unrestricted cash, and downward by the amount of any deficit, of unrestricted cash of Reflect on the acquisition date. Settlement is due one hundred twenty (120) days after the closing date of the Transaction.

Estimated Purchase Price Allocation

The following represents the preliminary allocation of the purchase price to the acquired net tangible and intangible assets acquired and liabilities assumed of Reflect and is for illustrative purposes only.

Accounts receivable	$	2,369
Inventory		174
Prepaid expenses and other current assets		105
Property and equipment		314
Operating right of use assets		951
Intangible assets:		
Customer relationships		5,000
Technology		12,000
Trade name		4,000
Goodwill		9,933
Retention Plan Assets – Cash in Rabbi Trust		667
Other long-term assets		36
Accounts payable		(645)
Accrued expenses		(768)
Deferred revenues (e.g., Contract liabilities)		(2,563)
Long-term obligations under operating leases		(506)
Total purchase price	$	31,067

Goodwill represents the excess of the purchase price over the fair value of tangible and intangible assets. Specifically identifiable definite-lived intangible assets include trade name, customer relationships and technology platform. The Company will engage a third-party valuation specialist to determine the final opening balance sheet fair value to be recorded related to these assets, which were preliminarily valued based on the Company's historical internal valuation methodologies. The Company has estimated the useful lives to be five, ten, and five years for the customer relationship, technology, and trade name assets, respectively. No indefinite-lived intangible assets were identified.

The Merger Agreement stipulates payment of $4,667 and $333 to be paid in Creative Realities common stock at an issuance price of $2.00 per share to the Reflect stockholders and the Retention Bonus Plan participants, respectively, at the Closing Date. Pursuant to the Retention Bonus Plan, Creative Realities will issue additional shares having an aggregate value of $333 will be issued on the one-year and two-year anniversaries of the Closing, subject to the terms and conditions of the Retention Bonus Plan. Section 1.12 of the Merger Agreement outlines the potential Additional Contingent Merger Consideration due from Creative Realities associated with Creative Realities' share price performance following closing of the Transaction. Specifically, Creative Realities may be required to pay between zero ($0) and $16,800 in incremental cash consideration to the Reflect stockholders should certain conditions be met and/or fail to be met.

The Merger Agreement stipulates several scenarios under which Creative Realities would owe zero ($0) Additional Contingent Merger Consideration to Reflect stockholders, including certain scenarios under which the Customer's annualized recurring revenue run rate does achieve the desired target. As a result, the contingent liability associated with the Additional Contingent Merger Consideration is complex and is identified as Level 3 within the fair value hierarchy. For purposes of the preliminary opening balance sheet included within these unaudited pro forma combined financial information and footnotes, we have recorded the liability at fifty percent (50%) of its potential aggregate liability. Creative Realities will engage a third-party valuation specialist to determine the final opening balance sheet fair value to be recorded related to the Additional Contingent Merger Consideration and potential liabilities.

NOTE 3 – PRO FORMA ADJUSTMENTS

The following pro forma adjustments are reflected in the accompanying unaudited pro forma condensed combined financial information:

(a) The principal sources and uses of cash associated with the Transaction are anticipated as follows (in thousands of US Dollars):

	Increase (decrease) in Cash
Cash raised through debt/warrant financing net of transaction fees	$ 9,950
Cash raised through common stock/warrant private placement offering, net of transaction fees	10,160
Cash Merger Consideration paid for Reflect stock	(16,167)
Cash consideration to fund Retention Bonus Plan:	
● Paid at closing	(666)
● Held in rabbi trust	(667)
Pro forma adjustment	$ 2,610

The Transaction is anticipated to be funded via a combination of senior secured debt, the sale of Creative Realities common stock and warrants in a private placement equity offering.

Private Placement Equity Offering

On February 3, 2022, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement"), pursuant to which the Company agreed to issue and sell in a private placement priced at-the-market under Nasdaq rules, (i) 1,315,000 shares of the Company's common stock, and accompanying warrants to purchase an aggregate of 1,315,000 shares of common stock, and (ii) pre-funded warrants to purchase up to an aggregate of 5,851,505 shares of common stock (the "Pre-Funded Warrants") and accompanying warrants to purchase an aggregate of 5,851,505 shares of common stock (collectively, the "Private Placement"). The accompanying warrants to purchase common stock are referred to herein collectively as the "Common Stock Warrants." Under the Securities Purchase Agreement, each share of common stock and accompanying warrants to purchase common stock were sold together at a combined price of $1.535, and each Pre-Funded Warrant and accompanying warrants to purchase common stock were sold together at a combined price of $1.5349, for gross proceeds of approximately $11,000, before deducting placement agent fees and estimated offering expenses payable by the Company. The Private Placement closed on February 3, 2022. The Company intends to use the net proceeds totaling $10,160 from the Private Placement to fund, in part, payment of the closing cash consideration for the Transaction.

Each Pre-Funded Warrant has an exercise price of $0.0001 per share, is exercisable immediately and will be exercisable until the Pre-Funded Warrant is exercised in full. The Common Stock Warrants expire five years from the date of issuance, have an exercise price of $1.41 per share and are exercisable immediately.

Under the terms of the Pre-Funded Warrants and the Common Stock Warrants, the Company may not effect the exercise of any such warrant, and a holder will not be entitled to exercise any portion of any such warrant, if, upon giving effect to such exercise, the aggregate number of shares of common stock beneficially owned by the holder (together with its affiliates) would exceed 4.99% of the number of shares of common stock outstanding immediately after giving effect to the exercise, as such percentage ownership is determined in accordance with the terms of such warrant, which percentage may be increased or decreased at the holder's election upon 61 days' notice to the Company subject to the terms of such warrants, provided that such percentage may in no event exceed 9.99%.

Cash and cash equivalents within unaudited pro forma combined balance sheet as of September 30, 20221 includes net proceeds of $10,160 from the Private Placement, with incremental offering costs of $840 reflected as a reduction to additional paid-in-capital and $13 recorded as common stock, representing $0.01 per share issued, as of the same date. The warrants issued in the transaction were valued utilizing the Black-Scholes methodology and were deemed to be equity warrants for financial statement purposes.

Anticipated Senior Secured Debt Financing

Separately, Creative Realities anticipates raising $10,000 in gross proceeds, or $9,950 net of transaction fees from entry into a new, thirty-six month senior secured term loan with its current creditor.. The term loan is expected to have an interest rate of 8.0% with 50.0% warrant coverage and a warrant strike price of $2.00 per share. The $9,950 has been included within the unaudited pro forma combined balance sheet as an increase to cash and cash equivalents, with a corresponding increase to long-term related party notes payable.

In addition to the new senior secured debt financing, Creative Realities also anticipates combining its pre-existing $4,767 senior secured term loan and $2,418 secured convertible loan into a single, thirty-six month secured amortizing loan in the amount of $7,185. The secured amortizing loan is expected to have an interest rate of 10.0% with 75.0% warrant coverage and a warrant exercise price of $2.00 per share.

The Company performed a Black-Scholes calculation to estimate the fair value of the warrants anticipated to be issued to the Company's current creditor utilizing the following assumptions: (i) warrant life of five (5) years, (ii) risk-free rate of one point two nine percent (1.6%), and (iii) $2.00 per share exercise price. The value of the warrants were recorded as a debt discount, representing a reduction to each tranche of debt in the pro forma condensed combined balance sheet as of September 30, 2021, which was allocated between short-term and long-term based on the pro-rata portion of debt in each tranche. In aggregate the Company recorded a debt discount and an increase to additional paid in capital of $5,577 for the estimated fair value of the warrants to be issued in the lending transaction in the unaudited pro forma balance sheet as of September 30, 2021. The combined statement of income for the nine and twelve months ended September 30, 2021 and December 30, 2020, respectively, included incremental interest expense of $1,394 and $1,859 as a result of the straight-line amortization of these debt issuance costs over the anticipated life of the loans.

The unaudited pro forma combined statement of income for the nine and twelve months ended September 30, 2021 and December 30, 2020, respectively, also included interest expense of $1,139 and $1,519 as a result of the stated interest rates on the $10,000 and $7,185, respectively, of related party debt anticipated to be issued.

(b) Creative Realities anticipates the issuance of $4,667 and $333 of consideration to Reflect stockholders and Retention Bonus Plan participants, respectively, in the form of shares of Creative Realities common stock. The Merger Agreement sets the issuance price for Creative Realities common stock at $2.00 per share. The pro forma balance sheet and the pro forma calculations of weighted average shares outstanding (basic and diluted) were calculated under the assumption utilizing $2.00 per share, resulting in an incremental $25 and $4,975 in common stock and additional paid in capital in the pro forma consolidated balance sheet as of September 30, 2021.

(c) Reclassifications to Reflect's historical audited and unaudited consolidated financial statements to conform to the financial statement classification and presentation used by Creative Realities to prepare its consolidated financial statements.

(d) To derecognize the $2.792 million previously recorded by Reflect for separately identified intangible assets (capitalized software development costs). As a result of the derecognition of these assets, Creative Realities adjusted the unaudited pro forma condensed combined statement of operations for the twelve months ended December 31, 2020 and the nine months ended September 30, 2021 for $1,080 and $827, respectively, the amortization expense previously recorded. While fair value assessments have not yet been completed on these assets, for purposes of preparing the unaudited pro forma condensed combined financial information, the fair value of Reflect's separately identifiable intangible assets has been estimated based on Creative Realities' historical experience and knowledge of the Transaction. As such, pro forma adjustments were recorded to the amortization expense included in the historic Reflect financial statements. Separately identifiable intangible assets principally represent definite-lived assets, including trade name, customer relationships and technology platform. The fair value of Creative Realities' separately identifiable intangible assets will ultimately be estimated with the assistance of Creative Realities' third-party valuation specialist. Valuations of the acquired intangible assets are expected to be finalized no later than one year from the date of acquisition. Any value assigned to these assets will represent a reclassification to or from the goodwill asset recorded in Creative Realities' preliminary purchase price allocation as outlined in the table in Note 2. Any reclassification recorded could result in further adjustments to the pro forma condensed combined financial information, including but not limited to adjustments to amortization expense, deferred tax liabilities and income tax expense.

(e) Pro forma adjustments for non-acquired assets and liabilities. To derecognize the $3,886 of cash and $1,208 of notes payable recorded by Reflect from the pro forma condensed combined balance sheet as of September 30, 2021 as the Transaction will be consummated on a cash-free, debt-free basis. Incremental interest expense of $96 and $57 has been eliminated from the unaudited pro forma condensed combined statements of operations for the twelve months ended December 31, 2020 and the nine months ended September 30, 2021.

(f) To reflect the adoption of ASC 842, “Leases”, this adjustment derecognizes the current and long-term portion of the deferred rent of $110 and $147, respectively, from the Reflect balance sheet as of September 30, 2021 and recorded an operating right of use asset of $951 associated with Reflect’s remaining office lease in Richardson, Texas. An adjustment was also included to recognize the associated operating lease liabilities of $445 and $506 in accrued expenses and long-term obligations under operating leases in the pro forma condensed combined balance sheet as of September 30, 2021.

(g) To recognize goodwill for the excess of the purchase price over the fair value of tangible and intangible assets.

(h) To eliminate Reflect’s historical stockholders’ equity.

(i) To recognize a liability in the unaudited pro forma condensed combined balance sheet as of September 30, 2021 for the estimated fair value of the contingent consideration payment. The Merger Agreement contemplates Additional Contingent Merger Consideration of up to $16,800 to be paid by Creative Realities to Reflect stockholders in the event that (1) certain conditions are satisfied by Reflect’s customer(s), (2) the Reflect stockholders continue to hold Creative Realities common stock originally issued as consideration in the Transaction, and either (3a) Company’s common stock does not achieve either certain volume and price levels during the three (3) or three and one half (3.5) years following the Closing Date, or (3b) the ten day volume weighted average price (VWAP) of the Company’s share price is not above $6.40 or $7.20, as applicable, as of the measurement period to be either three (3) or three and one half (3.5) years following the Closing Date, as further outlined in Note 1 and Section 1.12 of the Merger Agreement.

ASC 805 requires recognition of the fair value of this contingent consideration transferred in exchange for an acquired business. For purposes of the preliminary opening balance sheet included within these unaudited pro forma condensed combined financial information, Creative Realities has estimated the liability at fifty percent (50%) of its potential aggregate liability. Creative Realities will engage a third-party valuation specialist to determine the final opening balance sheet fair value to be recorded related to the contingent consideration, with any adjustments in the estimated liability to be recorded as an adjustment to goodwill upon completion. Adjustments to the fair value of the contingent consideration following the establishment of the opening balance sheet will be recorded through the consolidated statement of operations.

(j) To record a valuation allowance of $3,172, representing 100% of the deferred tax assets related to net operating losses. The Reflect historical financial statements did not record a valuation allowance on net operating losses; however, as the unaudited pro forma condensed combined balance sheet as of September 30, 2021 indicates an accumulated deficit, an adjustment to reserve against these deferred tax assets and by reducing income tax benefit in the pro forma condensed combined statements of operations.

(k) To recognize the cash portion of the Retention Bonus Plan assets placed in escrow at close. The portion of the Retention Bonus Plan assets not disbursed at the time of close have been included in the unaudited pro forma condensed combined balance sheet as of September 30, 2021 in the amount of $667. The liability related to post-combination services will be charged through the combined company statement of operations for the unvested portion of share issuance at time of close.

(l) To expense estimated third party transaction costs associated with executing the Transaction.

(m) To recognize retention expense related to the vesting of service awards under the Retention Bonus Plan post close in an amount of $375 and $500 for the nine and twelve months ended September 30, 2021 and December 30, 2020, respectively.

(n) To recognize retention a liability of $2,500 in the form of a Note Payable to escrow for indemnity claims. The parties agreed to fund the escrow via a note to be paid over the course of the first year following the merger, comprising of 12 equal monthly installments of $104, with a balloon payment of $1,250 on the anniversary date of the Transaction.