

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-K

(Mark one)

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

For the fiscal year ended December 31, 2024

OR

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

For the transition period from _____ to _____

Commission file number 001-33169



Creative Realities, Inc.

(Exact name of registrant as specified in its charter)

Minnesota

41-1967918

State or other jurisdiction of
incorporation or organization

I.R.S. Employer
Identification No.

13100 Magisterial Drive, Suite 100, Louisville KY

40223

Address of principal executive offices

Zip Code

(502) 791-8800

Registrant's telephone number, including area code

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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates was \$39,850,105 as of the last business day of the registrant's most recently completed second fiscal quarter based on the closing sale price of the registrant's common stock, as reported on the Nasdaq Stock Market LLC.

As of March 14, 2025, the registrant had 10,446,659 shares of common stock outstanding.

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**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS;
RISK FACTOR SUMMARY**

The information in this Annual Report on Form 10-K (“Report”) contains various forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Although we believe that, in making any such statements, our expectations are based on reasonable assumptions, any such statements may be influenced by factors that could cause actual outcomes and results to be materially different from those projected. Forward-looking statements may include, but are not limited to, statements about:

- the adequacy of funds for future operations;
- future expenses, revenue and profitability;
- trends affecting financial condition and results of operations;
- the ability to convert proposals into customer orders, including our ability to realize the revenues included in our future guidance;
- general economic conditions and outlook, including those as a result of the COVID-19 pandemic;
- the ability of customers to pay for products and services received;
- the ability to satisfy our upcoming debt obligations and other liabilities;
- the impact of changing customer requirements upon revenue recognition;
- customer cancellations;
- the availability and terms of additional capital;
- the ability of the Company to continue as a going concern;
- industry trends and the competitive environment;
- the impact of the Company’s financial condition upon customer and prospective customer relationships;
- potential litigation and regulatory actions directed toward our industry in general;
- the influence of our largest shareholder, Slipstream Communications, LLC;
- our reliance on certain key personnel in the management of our businesses;
- employee and management turnover;
- the existence of material weaknesses in internal controls over financial reporting;
- the inability to successfully integrate the operations of acquired companies; and
- our ability to remain listed on the Nasdaq Capital Market.

Certain statements included in this Report and the documents incorporated into this document by reference are “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). When used in this Report, the words “anticipates,” “believes,” “expects,” “intends,” “plans,” “estimates,” “projects,” “should,” “may,” “propose,” and similar expressions (or the negative versions of such words or expressions), are intended to identify such forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties, and other factors, many of which are beyond our control, that may cause the actual results, performance, or achievements to be materially different from the results of operations, financial conditions, or plans expressed or implied by the forward-looking statements. Although we believe the expectations reflected in our forward-looking statements are based upon reasonable assumptions, we can give no assurance that our expectations will be achieved. Any statements contained herein that are not statements of historical fact should be deemed forward-looking statements. As a result, reliance should not be placed on these forward-looking statements, as these statements are subject to known and unknown risks, uncertainties, and other factors beyond our control and could differ materially from our actual results and performance.

Readers should carefully review our financial statements and the notes thereto, as well as the section entitled “Risk Factors” in Item 1A of this Report and the other documents we file from time to time with the Securities and Exchange Commission (“SEC”). All forward-looking statements, expressed or implied, included in this Report are expressly qualified in their entirety by this cautionary note. This cautionary note should also be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. Except as otherwise required by applicable law, we disclaim any duty to update any forward-looking statements, all of which are expressly qualified by the statements in this section, to reflect events or circumstances after the date of this Report.

A summary of the principal risk factors that make investing in our securities risky and might cause our actual results to differ is set forth below. The following is only a summary of the principal risks that may materially adversely affect our business, financial condition, results of operations and cash flows. This summary should be read in conjunction with the more complete discussion of the risk factors we face, which are set forth in the section entitled “Risk Factors” in this Report.

Risks Related to our Business and our Industry

- We have generally incurred losses, and may never become or remain profitable.
- Our digital marketing business is evolving in a rapidly changing market, and we cannot ensure the long-term successful operation of our business or the execution of our business plan.
- Our success and longevity depend on our ability to generate profits from future operations and obtain sufficient capital through financing transactions to refinance our debt obligations, pay any contingent consideration owed to former Reflect stockholders, and meet our other business obligations.
- We do not have sufficient capital to engage in material research and development, which may harm our long-term growth.
- The variable sales cycle of some of our products make it difficult to predict operating results.
- There has been, and we expect that there will continue to be, significant consolidation in our industry. Our failure or inability to either lead or participate in that consolidation would have a severe adverse impact on our access to financing, customers, technology, and human resources.
- Unpredictability in financing markets could impair our ability to grow our business through acquisitions.
- Our success depends on our interactive marketing technologies achieving and maintaining widespread acceptance in our targeted markets.
- Our financial condition and potential for continued net losses may negatively impact our relationships with customers, prospective customers and third-party suppliers.
- Because we do not have long-term binding purchase commitments from our customers, the failure to obtain anticipated orders or the deferral or cancellation of commitments could have adverse effects on our business.

- Our continued growth and financial performance could be adversely affected by the loss of several key customers.
- Most of our contracts are terminable by our customers with limited notice and without penalty payments, and terminations could have a material adverse effect on our business, financial condition, and results of operations.
- It is common for our current and prospective customers to evaluate our products over an extended period of time, most especially during economic downturns that affect our customers' businesses, as we saw during the COVID-19 pandemic. The lengthy and variable sales cycle makes it difficult to predict our operating results.
- Our industry is characterized by frequent technological change. If we are unable to adapt our products and services and develop new products and services to keep up with these rapid changes, we will not be able to obtain or maintain market share.
- We operate in an intensely competitive industry, and our competitors are developing products and solutions that incorporate artificial intelligence ("AI") and machine learning ("ML"). We may not be as successful as our competitors in incorporating AI and ML into our products and solutions.
- Issues relating to the use of new and evolving technologies in our offerings, such as AI and ML, may result in increased regulation and costs to comply with such regulations.
- We use developed and licensed software technology, and we could face claims of infringement by others in the industry. Such claims are costly and add uncertainty to our operational results.
- Our proprietary platform architectures and data tracking technology underlying certain of our services are complex and may contain unknown errors in design or implementation that could result in system performance failures or inability to scale.
- Our business may be adversely affected by malicious applications that interfere with, or exploit security flaws in, our products and services.
- We compete with other companies that have more resources, which puts us at a competitive disadvantage.
- Our future success depends on key personnel and our ability to attract and retain additional personnel.
- We are subject to cyber security risks and interruptions or failures in our information technology systems and those of third-party partners with whom our applications are integrated and will likely need to expend additional resources to enhance our protection from such risks. Notwithstanding our efforts, a cyber incident could occur and result in information theft, data corruption, operational disruption and/or financial loss.
- Our reliance on information management and transaction systems to operate our business exposes us to cyber incidents and hacking of our sensitive information if our outsourced service provider experiences a security breach.
- Because our 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 our business.
- We may have insufficient network or server capacity, which could result in interruptions in our services and loss of revenues.
- Our business operations are susceptible to interruptions caused by events beyond our control.
- Corporate social responsibility, specifically related to ESG, may impose additional costs and expose us to new risks.
- Anticipated changes in the U.S. political environment, including those resulting from the change in Presidential Administration and control of Congress, and to regulatory agencies, may result in significant changes to regulatory framework and enforcements.
- Our competitors are constantly evolving, and we may be unable to compete successfully against existing or future competitors to our business.

Risks Related to our Securities and our Company

- Our largest shareholder possesses significant voting power with respect to our common stock, which will limit your influence on our management and affairs, and may discourage parties from initiating potential merger, takeover or other change-of-control transactions.
- Our Articles of Incorporation grant our 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.
- We have never paid dividends on our capital stock and we do not anticipate paying dividends in the foreseeable future.
- We do not have significant tangible assets that could be sold upon liquidation.
- We can provide no assurance that our securities will continue to meet Nasdaq listing requirements. If we fail to comply with the continuing listing standards of the Nasdaq, our securities could be delisted.
- Sales of a substantial number of shares of our common stock in the public market by certain of our shareholders, including Slipstream, could cause our stock price to fall.
- There may not be an active market for shares of our common stock.

General Risk Factors

- Because of our limited resources, we may not have in place various processes and protections common to more mature companies and may be more susceptible to adverse events.
- Uncertain global macro-economic and political conditions could materially adversely affect our results of operations and financial condition.
- Inflation and price volatility in the global economy could hurt our business and results of operations.

EXPLANATORY NOTE

All currency is rounded to the nearest thousand, except share and per share amounts. On March 27, 2023, the Company effectuated a 1-for-3 reverse stock split of its outstanding common stock. This Report and the Consolidated Financial Statements and Notes to Consolidated Financial Statements herein, give retroactive effect to the reverse stock split for all periods presented. The shares of common stock retained a par value of \$0.01 per share.

PART I

ITEM 1 BUSINESS

Our Company

Creative Realities, Inc. (“Creative Realities”, the “Company”, “we”, “us” or “our”) provides innovative digital signage and media solutions to enhance communications in a wide-ranging variety of out-of-home environments, key market segments and use cases, including:

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

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

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

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

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

- **Breadth of solutions** – Creative Realities offers true solutions to our customers. Creative Realities is one of only a few companies in the industry capable of providing the full portfolio of products and services required to implement and run an effective digital signage network. We leverage a 'single vendor' approach, providing customers with a one-stop-shop for sourcing digital signage solutions from design through day two services.
- **Managed labor pool** – Unlike most companies in our industry, we have a curated labor pool of qualified and vetted field technicians available to service customers quickly nationwide. We can meet tight schedules even in exceptionally large deployments and still ensure quality and consistency.
- **In-house creative resources** – We assist customers in creating new content or repurposing existing content for digital signage experiences, an activity for which the Company has won several design awards in recent years. In each instance, our services can be essential in helping customers develop an effective content program.
- **Network scalability and reliability** – Our software as a service ("SaaS") content management platforms power some of the largest and most complex digital signage networks in North America, evidencing our ability to manage enterprise scale projects. This also provides us purchasing power to source products and services for our customers, enabling us to deliver cost effective, reliable, and powerful solutions to small and medium size business customers.
- **AdTech platforms** – The Company has developed and deployed the AdLogic and Adlogic CPM+ platforms, which, working in conjunction with our CMS platforms, present completely integrated digital advertising solutions for existing and prospective customers seeking to monetize their in-store retail media networks. These platforms anchor the Company's vertical expansion into AdTech bringing new, and expanding existing, addressable markets.
- **Market sector expertise** – Creative Realities has in-house experts in key market segments such as automotive, retail, quick-serve restaurants ("QSR"), convenience stores, and Digital Out of Home ("DOOH") advertising. Our expertise in these business segments enables our teams to provide meaningful business conversations and offer tailored solutions with prospects and customers to their unique business objectives. These experts build industry relationship and create thought leadership that drives lead flow and new opportunities for our business.
- **Logistics** – Implementing a large digital signage project can be a logistical nightmare that can stall an initiative, even before deployment. Our expertise in logistics improves deployment efficiency, reduces delays and problems, and saves customers time and money.
- **Technical support** – Digital signage networks present unique challenges for corporate IT departments. We simplify and improve end user support by leveraging our own Network Operations Center ("NOC") in Louisville, Kentucky. The NOC resolves many issues remotely and when field support is required, it can be dispatched quickly from the NOC, leveraging our managed labor pool to resolve customer issues quickly and effectively.
- **Integrations and Application Development** – From social media feeds, mobile integrations, corporate data stores, and Point of Sale ("POS") systems, our proven ability to build scalable applications and integrations is a key advantage that customers can leverage to deliver more compelling and engaging experiences for their customers.

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

The three primary sources of revenue for the Company are:

- Hardware sales from reselling digital signage hardware from original equipment manufacturers such as Samsung and BrightSign.
- Services revenue from helping customers design, deploy and manage their digital signage network, including:
 - Hardware system design/engineering
 - Hardware installation
 - Content development
 - Content scheduling
 - Post-deployment network and field support
- Recurring subscription licensing and support revenue from our digital signage software platforms, which are generally sold via a SaaS model. Our platforms include:
 - **ReflectView**, the Company's core digital signage platform for most applications, scalable and cost effective from 10 to 100,000+ devices;
 - **Reflect Xperience**, a web-based interface that allows customers to give content scheduling access to local users via the web or mobile devices, while still maintaining centralized programming control;
 - **Reflect AdLogic**, the Company's ad management platform for digital signage networks, which presently delivers approximately 50 million ads daily;
 - **Reflect AdLogic CPM+**, the Company's demand side and supply side platform with campaign management and extensive capabilities for programmatic advertising;
 - **Clarity**, the Company's menu board solution, which has become a market leader for a range of restaurant, including QSR and convenience store applications;
 - **Reflect Zero Touch**, which allows customers to turn any screen into an interactive experience by allowing guests to engage using their mobile device;
 - **iShowroomProX**, an omni-channel digital sales support platform targeted at original equipment manufacturers in the transportation sector, which integrates with dozens of key data services including dealer inventory at the VIN level; and
 - **OSx+**, a digital VIN-level checklist used to assist in the tracking and delivery of new vehicles in the transportation sector, providing measurable lift in customer satisfaction scores and connected vehicle enrollments and subscription activations.

While hardware sales and support services revenues can fluctuate more significantly year over year based on new, large-scale network deployments, the Company is focusing on maintaining and increasing recurring SaaS revenue as digital signage adoption/utilization expands across the vertical markets we serve.

We believe that the adoption and evolution of our digital signage technology solutions will increase substantially in years to come in the industries in which we currently focus and in other industries. We believe that the costs of such hardware will decrease over time as it has done so historically. Flat panel displays, along with LED technology and digital media players typically constitute a large portion of the expenditure customers make relative to the entire cost of implementing a digital marketing system implementation and can be a barrier to customer deployment. As a result, we believe that the broader adoption of digital marketing technology solutions is likely to increase, although we cannot predict the rate at which such adoption will occur. We believe the proliferation of in-store retail media networks will be an industrial catalyst for infrastructure and AdTech sales for which the Company is well situated from product set and technology stack standpoints.

Another component of our business strategy is to acquire and integrate other operating companies in the industries we operate. We believe that the selective acquisition and successful integration of certain companies will: accelerate our growth in targeted vertical and operating markets; enable us to cost-effectively aggregate multiple customer bases onto a single business and technology platform; provide us with greater operating scale on a consolidated basis; enable us to leverage a common set of processes and tools, and cost efficiencies company-wide; and ultimately result in higher operating profitability and cash flow from operations. Our management team's primary focus is the continued acceleration of organic growth, but secondarily evaluates acquisition opportunities on an ongoing basis. Our management team and Board of Directors have broad experience with the execution, integration, and financing of acquisitions and seek only accretive strategic transactions with material cost synergies as a result of overlapping or concurrent content management system capabilities with focus on eliminating the associated cost structure for these systems.

Business Strategy

We believe that our existing business model is highly scalable and can be expanded successfully as we continue to grow organically, seek to acquire and integrate other companies in our target markets, strengthen our operational practices and procedures, further streamline our administrative office functions, and continue to capitalize on various marketing programs and activities. With a focus on SaaS revenues, we believe that our gross margins will rise as our business scales.

Industry Background

We believe certain digital marketing technology industry trends are creating the opportunity for retailers, brands, venue-operators, enterprises, non-profits and other organizations to create innovative shopping, marketing, and informational experiences for their customers and other stakeholders in various venues worldwide. These trends include: (i) the expectations of technology-savvy consumers; (ii) addressing on-line competitors by improving physical experiences; (iii) a decline in the cost of hardware configurations (primarily flat panel displays) and software media players; (iv) the continued evolution of mobile, social, software and hardware technologies, applications and tools; (v) increasing sophistication of social networking platforms; (vi) increasingly complex customer requirements related to their specific digital marketing technology and solution objectives; and (vii) customer expectations of satisfactory consumer experiences with reduced installation and operating costs.

As a result, a growing number of retailers, brands, venue-operators, and other organizations have identified the need and opportunity to implement increasingly agile, automated, targeted and cost-effective and "sales-lifting" digital marketing, and interactive experiences to market to their customers. These experiences include creating unique and customized experiences for targeted, timely offerings and relevant promotions; improving engagement resulting in increased sales; and increasing shopping basket size. We believe our customers consider capitalizing on these industry trends to be increasingly critical to any successful "store of the future" retail and brand sales environment, especially where sales staff turnover is high, training outcomes are inconsistent and product knowledge is low.

Companies are implementing various digital marketing technology solutions, which: are implemented in multiple forms and types of configurations and locations; attempt to achieve any of a broad range of individual or combination of objectives; contain various levels of targeting; have the ability to instantly manage single or multiple locations remotely from a customer's desktop or other connected device at each location; and are built to deliver or contain a standard or customized customer experience unique to and within the customer's environment. Examples of such solutions include:

- Digital Merchandising Systems, to inform and interact with customers through various types of content in an integrated experience, improve in-store customer experiences and increase overall sales, upsells, and/or cross-sales;
- Digital Sales Assistants, to replace or augment existing sales resources and the level of interactive and informational sales assistance inside the store;
- Digital Way-Finders, to help customers navigate their way around individual retail stores and multi-store locations or venues, or within individual brand categories;
- Digital Kiosks, to provide data, specialized and customized broadcasts, promotional information and coupons, train, and other forms of information and interaction with customers in a variety of deployment forms, types, configurations and experiences;
- Digital Menu-Board Systems, to enable various types of restaurant operators the ability to remotely and on a scheduled basis, update and modify menu information, promotions, and other forms of content dynamically; and
- Dynamic Digital Signage, including Advertising Networks, to deliver and manage in-store marketing and advertising campaigns, specialized and customized broadcasts, and various other forms of messaging targeting customers in a particular experience or environment.

Our Markets

We currently market and sell our marketing technology solutions through our direct sales force, inside sales team, and word-of-mouth referrals from existing customers. Select strategic partnerships and lead generation programs also drive business to the Company through targeted business development initiatives. We market to companies that seek digital marketing solutions across multiple connected devices and who specifically seek or could benefit from enhancements to the customer experience offered in their stores, venues, brands or organizations.

Our digital marketing technology solutions apply in a wide variety of industries. The industries in which we primarily sell our solutions are established and include automotive, retail, DOOH including advertising networks and retail media networks, foodservice/QSR, financial services, gaming, and sports and entertainment venues. A number of participants in these industries have only recently started considering or expanding the adoption of these types of technologies, solutions, and experiences as part of their overall marketing strategies.

Seasonality

A portion of our customer activity is influenced by seasonal effects related to traditional end of calendar year peak retail sales periods, traditional spring stadium/venue opening seasons, and certain other factors that arise from our target customer base. Nevertheless, our revenues can be materially affected by the launch of new markets, the timing of production rollouts, and other factors, any of which have the ability to reduce or outweigh certain seasonal effects.

Effect of General Economic Conditions on our Business

We believe that demand for our services will increase in the future in part because of new construction and remodeling activities of pre-existing retail, convenience store, stadium, and event venues. While we do see reductions in retail footprints across the U.S., we see a continued focus on integration of digital into the retail marketplace and a focus on digital refreshes within the retail space to stay relevant in an evolving e-commerce marketplace. Recent general economic conditions have generally make it easier for our customers to justify decisions to invest in digital marketing technology solutions. A change in the macroeconomic trend in the U.S. could have a negative impact on our customers' ability and/or willingness to advance their digital initiatives.

Government Regulation

We are subject to regulation by various federal and state governmental agencies. Such regulation includes radio frequency emission regulatory activities of the U.S. Federal Communications Commission, the consumer protection laws of the U.S. Federal Trade Commission, product safety regulatory activities of the U.S. Consumer Product Safety Commission, and environmental regulation in areas in which we conduct business. Some of the hardware components that we supply to customers may contain hazardous or regulated substances, such as lead. A number of U.S. states have adopted or are considering “takeback” bills addressing the disposal of electronic waste, including CRT style and flat panel monitors and computers. Electronic waste legislation is developing. Some of the bills passed or under consideration may impose on us, or on our customers or suppliers, requirements for disposal of systems we sell and the payment of additional fees to pay costs of disposal and recycling. Presently, we do not believe that any such legislation or proposed legislation will have a materially adverse impact on our business.

Competition

While we believe there is presently no direct competitor with the comprehensive offering of technologies, solutions, and services we provide to our customers, there are multiple individual competitors who offer subsets of our product and service offerings. These include digital signage software companies such as Stratacache and Poppulo; marketing services companies such as Sapien Nitro; or digital signage systems integrators such as SageNet. Some of these competitors may have significantly greater financial, technical, and marketing resources than we do and may be able to respond more rapidly than we can to new or emerging technologies or changes in customer requirements. We believe that our holistic sales and business development capabilities, network operations / field service management capabilities, our comprehensive offering of digital signage technology and solutions, brand awareness, and proprietary processes are the primary factors providing our competitive advantage.

Major Customers

We had three customers that accounted for 15%, 13% and 10% of revenue for the year ended December 31, 2024. No customer accounted for more than 10% of revenue for the year ended December 31, 2023. We had one customer that accounted for 16% of accounts receivable at December 31, 2024 and two customers that accounted for 26% and 23% of accounts receivable at December 31, 2023.

Decisions by one or more of these key customers to not renew, terminate, or substantially reduce their use of our products, technology, services, and platform could substantially slow our revenue growth and lead to a decline in revenue. Our business plan assumes continued growth in revenue, and it is unlikely that we will become profitable without a continued increase in revenue. For more information, see Item 1A. Risk Factors, “Our continued growth and financial performance could be adversely affected by the loss of several key customers.”

Territories

We sell products and services primarily throughout North America, with limited software licensing agreements operating in other international jurisdictions.

Human Capital

We strive to foster a great work environment and offer an exceptional experience through competitive pay, benefits, and training programs to our employees. Our objective is to attract, develop, retain, and reward individuals with the talent and skills to help support our business objectives. As of December 31, 2024, we had 146 employees.

Corporate Organization

We originally incorporated and organized as a Minnesota corporation under the name “Wireless Ronin Technologies, Inc.” in March 2003 and focused on our expertise in digital media marketing solutions, including digital signage, interactive kiosks, mobile, social media, and web-based media solutions. We acquired the interactive marketing technology business that we currently operate in a 2014 merger with Creative Realities, LLC. Shortly after that merger, we changed our corporate name from “Wireless Ronin Technologies, Inc.” to “Creative Realities, Inc.” On October 15, 2015, we acquired the systems integration and marketing technology business of ConeXus World Global, LLC. On November 20, 2018, we acquired Allure, an enterprise software development company. On February 17, 2022, we acquired Reflect.

Our principal offices are located at 13100 Magisterial Drive, Ste 100, Louisville, Kentucky 40223, and our telephone number at that office is (502) 791-8800. We have additional offices in the Dallas, TX, Atlanta, GA, and Windsor, Ontario (Canada) metro areas. Our internet address is www.cri.com. Information on our website does not constitute part of this Report.

ITEM 1A RISK FACTORS

Our business involves a high degree of risk. In evaluating our business, you should carefully consider the specific risks described below, and any risks described in our other filings with the Securities and Exchange Commission (the “SEC”), pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act. Any of the risks we describe below or in our other filings with the SEC could cause our business, financial condition, results of operations or future prospects to be materially adversely affected. In addition, some of these risks contain forward-looking statements.

RISKS RELATED TO OUR BUSINESS AND OUR INDUSTRY

We have generally incurred losses, and may never become or remain profitable.

We have incurred historical net losses, and we have had negative cash flows from operations. While we were able to achieve net income in 2022, we incurred a net loss in 2023 and 2024 and it is uncertain whether we will be able to obtain or increase our profitability in successive periods.

We have formulated our business plans and strategies based on certain assumptions regarding the acceptance of our business model and the marketing of our products and services. Nevertheless, our assessments regarding market size, market share, market acceptance of our products and services and a variety of other factors may prove incorrect. Our future success will depend upon many factors, including factors beyond our control and those that cannot be predicted at this time.

Our digital marketing business is evolving in a rapidly changing market, and we cannot ensure the long-term successful operation of our business or the execution of our business plan.

Digital marketing technology and solutions are evolving, and the markets in which we compete are rapidly changing. As a result, our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by growing companies in new and rapidly evolving markets. We may be unable to accomplish any of the following, which would materially impact our ability to implement our business plan:

- timely and successfully developing new technology, solution, service, and platform features, including but not limited to the utilization of artificial intelligence, and increasing the functionality and features of our existing technology, solution, service, and platform offerings;
- establishing and maintaining broad market acceptance of our technology, solutions, services, and platforms, and converting that acceptance into direct and indirect sources of revenue;
- establishing and maintaining adoption of our technology, solutions, services, and platforms in and on a variety of environments, experiences, and device types;
- 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 our 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 we employ such personnel; and
- integrating operations, personnel and technology from our acquisitions.

Our business strategy may be unsuccessful and we may be unable to address the risks we face in a cost-effective manner, if at all. If we are unable to successfully accomplish these tasks, our business will be harmed.

Our success and longevity depend on our ability to generate profits from future operations and obtain sufficient capital through financing transactions to refinance our debt obligations, pay any contingent consideration owed to former Reflect stockholders, and meet our other business obligations.

The report of our independent registered public accounting firm on our Consolidated Financial Statements for the fiscal year ended December 31, 2024 includes an explanatory paragraph indicating that there is substantial doubt as to our ability to continue as a going concern within one year after that date that the Consolidated Financial Statements are issued.

At December 31, 2024, the Company has an accumulated deficit of \$56,854, and negative working capital of \$11,667. For the year ended December 31, 2024, the Company generated operating income of \$938 and generated positive net cash flows from operations of \$3,381. The Company's contingent consideration obligation was dependent upon the market value of the Company's share price at February 17, 2025, and contractually must be settled in cash. The estimated liability for financial statement accounting purposes is \$12,815 as of December 31, 2024. While the Company is currently generating cash from operations and refinanced its debt in 2024, the Credit Agreement (as defined in [Note 7 Debt](#) below) limits, via specific reserve, utilization of the Company's line of credit to no more than \$4,000 (or such lesser amount determined by the lender in its sole and absolute discretion) for payments to satisfy the contingent consideration obligation. Should the contingent consideration require a cash payment at maturity in excess of the specific reserve, the Company may not have sufficient liquidity to settle this obligation without (i) receipt of a waiver under the Credit Agreement, (ii) an amendment to the Credit Agreement to permit additional funds from the line of credit to be used for payment of the contingent consideration obligation, (iii) raising additional capital on the capital markets, the proceeds of which would be used, in whole or in part, to satisfy the contingent consideration obligation, or (iv) a reduction in the amount of the contingent consideration obligation. The conditions and events raise substantial doubt about the Company's ability to continue as a going concern under the technical framework within ASU 205-40.

To the extent we are required to raise additional financing, turmoil in the capital markets, including the tightening of credit and increased interest rates, may impact our ability to raise financing on terms and at a cost favorable to the Company. We may be required to raise capital during a weak economy and have little flexibility to wait for more favorable terms or economic conditions. We are likely to face higher borrowing costs, less available capital, more stringent terms and tighter covenants. Such unfavorable market conditions could have an adverse impact on our ability to fund our operations and capital expenditures in the future. Any adverse change in the terms of our financing, including increased costs, could have a negative impact on our financial condition. Any equity financings will likely be dilutive to shareholders and may be completed at a discount to the then-current market price of our securities. Debt financing, if available, may involve restrictive covenants on our operations or pertaining to future financing arrangements. Nevertheless, we may not successfully complete any future equity or debt financing. Adequate funds for our 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, our plans to operate our business may be adversely affected and we could be required to curtail our activities significantly and/or cease operating.

We do not have sufficient capital to engage in material research and development, which may harm our long-term growth.

In light of our limited resources in general, we have limited 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 our failure to invest in research and development, our technology and product offerings may not keep pace with the market, and we may lose any current existing competitive advantage. Over the long term, this may harm our revenues growth and our ability to become profitable.

The variable sales cycle of some of our products make it difficult to predict operating results.

Although we are focusing on increasing our revenues from SaaS services to our customers, our overall 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 us to accurately predict revenues and this difficulty also will affect the Company. 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 our 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 we anticipated or not at all. If we receive any significant cancellation or deferral of customer orders, or we are unable to conclude license negotiations by the end of a fiscal quarter, our operating results may be lower than anticipated. In addition, any weakening or uncertainty in the economy may make it more difficult for the Company to predict quarterly results in the future, and could negatively impact our business, financial condition, and results of operations for an indefinite period of time.

There has been, and we expect that there will continue to be, significant consolidation in our industry. Our failure or inability to either lead or participate in that consolidation may have a severe adverse impact on our access to financing, customers, technology, and human resources.

Our industry is currently composed of a large number of relatively small businesses; no single business dominates or provides integrated solutions and product offerings incorporating much of the available industry technology. We believe that substantial consolidation is occurring in our industry and will continue to do so in the near future. We believe that our prior acquisitions of Allure and Reflect illustrate acquisition opportunities that exist in our industry. If we are not active participants in consolidation, either as a consolidator or as a target, we may be left out of this process, with product offerings of limited value compared with those of our consolidated competitors. Moreover, even if we lead the consolidation process, we may incur unknown liabilities in such consolidations, fail to fully integrate the operations, personnel, or technology from such consolidations, and the market may not validate the decisions we make in that process.

Unpredictability in financing markets could impair our ability to grow our business through acquisitions.

We anticipate that opportunities to acquire similar businesses will materially depend on, among other things, the availability of financing options for us with acceptable terms. Poor credit and other market conditions or uncertainty in financial markets could adversely affect our ability to obtain such financing, and as a result, materially limit our ability to grow through acquisitions.

Our success depends on our interactive marketing technologies achieving and maintaining widespread acceptance in our targeted markets.

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

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

Our 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 our 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 our reputation. Delays, costs, and damage to our reputation due to product defects could harm our business.

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

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

Because we do not have long-term purchase commitments from our customers, the failure to obtain anticipated orders or the deferral or cancellation of commitments could have adverse effects on our business.

Our business contracts include short-term purchase orders, contracts that do not require that purchases be made by our customers, and monthly subscription contracts (SaaS) that may be terminated with minimal notice. This makes forecasting our sales difficult. The failure to obtain anticipated orders and deferrals or cancellations of purchase commitments or SaaS services because of changes in customer requirements, or otherwise, could have a material adverse effect on our business, financial condition, and results of operations. We have experienced such challenges in the past and may experience such challenges in the future.

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

We had three customers that accounted for 15%, 13% and 10% of revenue for the year ended December 31, 2024. No customer accounted for more than 10% of revenue for the year ended December 31, 2023. We had one customer that accounted for 16% of accounts receivable at December 31, 2024 and two customers that accounted for 26% and 23% of accounts receivable at December 31, 2023.

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

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

Most of our contracts are terminable by our 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. We cannot assure you that one or more of our 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 our business, financial condition and results of operations.

It is common for our current and prospective customers to evaluate our products over an extended period of time, most especially during economic downturns that affect our customers' businesses, as we saw during the COVID-19 pandemic. The lengthy and variable sales cycle makes it difficult to predict our operating results.

It is difficult for us to forecast the timing and recognition of revenue from sales of our products and services because our actual and prospective customers often take significant time to evaluate our products before committing to a purchase. Even after making their first purchases of our products and services (or "pilot program" purchases), 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 our products for various reasons, including:

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

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

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

The market for our 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 we fail 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, our products and services could become less competitive or obsolete.

We must respond to changing technology and industry standards in a timely and cost-effective manner. We 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 we successfully adapt our products and services, these new technologies or enhancements may not achieve sufficient market acceptance.

We operate in an intensely competitive industry, and our competitors are developing products and solutions that incorporate AI and ML. We may not be as successful as our competitors in incorporating AI and ML into our products and solutions.

Our competitors may be larger, more diversified, better funded, and have access to more advanced technology, including AI and ML. These competitive advantages may enable our competition to innovate their products and solutions faster or better than we can, or to provide increased competition on quality and price, which could adversely affect our business and profitability. Burgeoning interest in AI and ML may increase competition and disrupt the Company's business model. AI and ML may lower barriers to entry in our industry and the Company may be unable to effectively compete with the products or services offered by new competitors. Changes to the products and services we offer related to AI and ML may affect customer expectations, requirements, or tastes in ways that the Company cannot adequately anticipate or adapt to, causing its business to lose revenues.

Issues relating to the use of new and evolving technologies in our offerings, such as AI and ML, may result in increased regulation and costs to comply with such regulations.

We are exploring manners to integrate AI and ML into many of our offerings. We may need to increase our operational, research and development and compliance costs, or divert resources from other research and development efforts, to address potential issues related to AI and ML in a quickly evolving social, legal, and regulatory environment. As with many cutting-edge innovations, AI and ML present new risks and challenges, and existing laws and regulations may apply to us in new ways, the nature and extent of which are difficult to predict. Potential government regulation related to AI, including relating to ethics and social responsibility, may also increase the burden and cost of compliance and research and development.

We use developed and licensed software technology, and we could face claims of infringement by others in the industry. Such claims are costly and add uncertainty to our operational results.

A portion of our business involves our ownership and licensing of software. This market space is characterized by frequent intellectual property claims and litigation. We could be subject to claims of infringement of third-party intellectual-property rights resulting in significant expense and the potential loss of our 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 our business. Any litigation to determine the validity of these claims, including claims arising through our contractual indemnification of our business partners, regardless of their merit or resolution, would likely be costly and time consuming and divert the efforts and attention of our management and technical personnel. If any such litigation resulted in an adverse ruling, we could be required to:

- pay substantial damages, royalties or other fees;
- 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.

Our proprietary platform architectures and data tracking technology underlying certain of our 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 our proprietary platforms, our 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 our tools and services are released. Consequently, our systems could experience performance failure, or we may be unable to scale our systems, which may:

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

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

Our business may be adversely affected by malicious applications that make changes to our customers' computer systems and interfere with the operation and use of our products or products that impact our business. These applications may attempt to interfere with our ability to communicate with our customers' devices. The interference may occur without disclosure to or consent from our customers, resulting in a negative experience that our customers may associate with our 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 our success. If our efforts to combat these malicious applications fail, or if our products and services have actual or perceived vulnerabilities, there may be claims based on such failure or our reputation may be harmed, which would damage our business and financial condition.

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

The market for interactive marketing technologies is highly competitive and we expect competition to increase in the future. Many competitors have significantly greater financial, technical, and marketing resources than us. These competitors may be able to respond more rapidly than we can to new or emerging technologies or changes in customer preferences or requirements. They may also devote greater resources to the development, promotion and sale of their products and services than us.

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

Our future success depends on retaining key personnel and our ability to attract and retain additional personnel.

Our key personnel includes our Chief Executive Officer and Chairman, Rick Mills. If we fail to retain Mr. Mills or to attract, retain, and motivate other qualified employees, our ability to maintain and develop our business may be adversely affected. Our future success depends significantly on the continued service of our key technical, sales, and senior management personnel and their ability to execute our growth strategy. The loss of the services of our key employees could harm our business. We may be unable to retain our employees or to attract, assimilate and retain other highly qualified employees who could migrate to other employers who offer competitive or superior compensation packages.

We are subject to cyber security risks and interruptions or failures in our information technology systems and those of third party partners with whom our applications are integrated, and will likely need to expend additional resources to enhance our protection from such risks. Notwithstanding our efforts, a cyber incident could occur and result in information theft, data corruption, operational disruption, and/or financial loss.

We depend on digital technologies to process and record financial and operating data and rely on sophisticated information technology systems and infrastructure to support our business, including process control technology. At the same time, cyber incidents, including deliberate attacks, have increased in number and complexity. Our technologies, systems and networks and those of our 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. Despite our efforts, our systems for protecting against cyber security risks may not be sufficient. As the sophistication of cyber incidents continues to evolve, we will likely be required to expend additional resources to continue to modify or enhance our protective measures or to investigate and remediate known 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 our information technology systems may cause disruptions in our operations, which could adversely affect our revenues and profitability.

Additionally, we engage third-party service providers to assist us in providing products and services for our customers. Those third-party services providers also subject to the foregoing risks to their systems. We do not have a process to oversee and identify risks from cyber security threats associated with our use of such third-party service providers, and any such incidents occurring on their system could similarly affect us, our revenues and profitability.

Our reliance on information management and transaction systems to operate our business exposes us to cyber incidents and hacking of our sensitive information if our outsourced service provider experiences a security breach.

Effective information security internal controls are necessary for us to protect our sensitive information from illegal activities and unauthorized disclosure in addition to denial of service attacks and corruption of our data. In addition, we rely on the information security internal controls maintained by our outsourced service provider. Any breach of our information management system could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, disruption to our operations and the services we provide to customers or damage our reputation. In addition, a security breach could require that we expend significant additional resources to repair and enhance our information security systems. Furthermore, we could experience material harm to our financial condition, cash flows and the market price of our common stock, misappropriation of assets, compromise or corruption of confidential information collected in the course of conducting our business, liability for stolen information or assets, increased cybersecurity protection and insurance costs, regulatory enforcement, litigation and damage to our stakeholder relationships.

Because our 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 our business.

Our 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 we do not own or control. On an ongoing basis, we need to perform proactive maintenance services on our platform and related software services to correct errors and defects. In the future, there may be additional errors and defects in our software that may adversely affect our services. We may not have in place adequate reporting, tracking, monitoring, and quality assurance procedures to ensure that we detect errors in our software in a timely manner. If we are 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 our services, we could experience loss of revenues and market share, damage to our reputation, increased expenses and legal actions by our customers.

We may have insufficient network or server capacity, which could result in interruptions in our services and loss of revenues.

Our operations are dependent in part upon: network capacity provided by third-party telecommunications networks; data center services provider owned and leased infrastructure and capacity; our dedicated and virtualized server capacity located at its data center services provider partner and a geo-redundant micro-data center location; and our own infrastructure and equipment. Collectively, this infrastructure, equipment, and capacity must be sufficiently robust to handle all of our customers' web-traffic, particularly in the event of unexpected surges in high-definition video traffic and network services incidents. We (and our service providers) may not be adequately prepared for unexpected increases in bandwidth and related infrastructure demands from our customers. In addition, the bandwidth we have 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 our own infrastructure to provide the capacity we require, due to financial or other reasons, may result in a reduction in, or interruption of, service to our customers, leading to an immediate decline in revenue and possible additional decline in revenue as a result of subsequent customer losses.

Our business operations are susceptible to interruptions caused by events beyond our control.

Our business operations are susceptible to interruptions caused by events beyond our control. For example, the COVID-19 pandemic 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 caused business slowdowns and shutdowns in certain affected areas, both regionally and worldwide, which significantly adversely impacted our business and results of operations. We are vulnerable to potential problems when events beyond our control arise, including, among others:

- our platform, technology, products, and services and underlying infrastructure, or that of our key suppliers, may be damaged or destroyed by events beyond our control, such as fires, earthquakes, floods, power outages, or telecommunications failures;
- we and our 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;
- we may transmit 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 our customers and cause us to face liability;
- failure of our systems or those of our suppliers may disrupt service to our customers (and from our customers to their customers), which could materially impact our operations (and the operations of our customers), adversely affect our relationships with our customers and lead to lawsuits and contingent liability;
- delays in product development or releases, or reductions in manufacturing production and sales of consumer hardware, as a result of inventory shortages, supply chain or labor shortages;
- significant volatility and disruption of global financial markets, which could negatively impact our ability to access capital in the future;
- our 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 adversely impacted by any resulting economic downturn;
- negative impact on our workforce productivity, product development, and research and development due to difficulties resulting from our personnel working remotely
- illnesses to key employees, or a significant portion of our workforce, which may result in inefficiencies, delays, and disruptions in our business; and
- increased volatility and uncertainty in the financial projections we use as the basis for estimate used in our financial statements.

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 our business, financial condition, and results of operations.

Corporate social responsibility, specifically related to ESG, may impose additional costs and expose us to new risks.

Environmental, social and governance (“ESG”) matters have become increasingly important to some investors and other stakeholders. Certain organizations that provide corporate risk and corporate governance advisory services to investors have developed scores and ratings to evaluate companies based on ESG metrics. ESG evaluations are important to many investors and stakeholders. Many investors use ESG factors to guide their investment decisions. Many investment funds focus on positive ESG business practices and sustainability scores when making investments and may consider a company’s sustainability efforts and/or score when making an investment decision. On the other hand, we could be criticized by ESG detractors for the scope and nature of any ESG policies or initiatives we implement. We could also be subjected to negative responses by governmental actors, such as state legislation, retaliatory legislative treatment or litigation by state or federal agencies or private actors, or face negative publicity campaigns that could adversely affect our reputation, business, financial performance and growth. The occurrence of any of the foregoing could have an adverse effect on our reputation, the price of our stock and our business, financial condition and results of operations, including increased capital expenditures and operating expenses.

Anticipated changes in the U.S. political environment, including those resulting from the change in Presidential Administration and control of Congress, and to regulatory agencies, may result in significant changes to regulatory framework and enforcements.

As a result of the 2024 presidential election, changes in the Presidency and both chambers of Congress may result in significant changes in, and have resulted in uncertainty with respect to, legislation, regulation, implementation or repeal of laws and rules that could affect our business. The new Presidential Administration has imposed and threatened tariffs against numerous countries and products, rescinded various prior executive orders and has issued new executive orders and taken other related executive actions. Many of these policy changes will require further rulemaking actions or other formal steps before they would become law. In addition, the new Administration has taken actions to reduce the number of federal employees and to eliminate certain federal agencies or reduce their authority. As a result, there is significant uncertainty regarding whether or how regulations and the agencies that administer and enforce these regulations may change as a result of the actions taken to date and possible future actions by the new Administration. Additionally, there may be litigation over such regulatory changes, and if public enforcement decreases as a result of such changes, private litigation over these matters may increase.

We continually monitor these developments in order to respond to the changing regulatory environment impacting our business. While it is not possible to predict whether and when any such changes will occur, such changes could harm our business, operating results and financial condition. If we are slow or unable to adapt to any such changes, our business, operating results and financial condition could be adversely affected.

Our competitors are constantly evolving, and we may be unable to compete successfully against existing or future competitors to our business.

The market in which we operate is increasingly competitive. Our current competitors generally include general digital signage companies, specialized digital signage operators targeting certain vertical markets (e.g., financial services, retail, or food 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 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 our technology, products and services. If this occurs, we may be unable to grow as necessary to make our business profitable. In addition, our 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 we can;
- develop, improve, and expand their platforms and related infrastructures more quickly than we can;
- 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 we are unable to compete effectively in our various markets, or if competitive pressures place downward pressure on the prices at which we offer our products and services, our business, financial condition and results of operations may suffer.

RISKS RELATED TO OUR SECURITIES AND OUR COMPANY

Our largest shareholder possesses significant voting power with respect to our common stock, which will limit your influence on our management and affairs, and may discourage parties from initiating potential merger, takeover, or other change-of-control transactions.

As of March 14, 2025, our largest shareholder, Slipstream, has beneficial ownership of approximately 26% of our 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 significant influence on our management and affairs, including the election and removal of our Board of Directors and all other matters requiring shareholder approval, including the future merger, consolidation or sale of all or substantially all of our assets. This stockholder position, especially in light of Pegasus' prior proposals described below, may discourage others from initiating any potential merger, takeover, or other change-of-control transaction that may otherwise be beneficial to our shareholders. Furthermore, this concentrated ownership will limit the practical effect of your participation in Company matters, through shareholder votes and otherwise.

On February 2, 2023 and May 1, 2023, we received unsolicited proposals from Pegasus Capital Advisors, L.P., on behalf of itself and certain of its affiliates, including Slipstream (collectively, "Pegasus"), to acquire all of the outstanding shares of common stock of the Company that are not owned by Pegasus for purchase prices of \$0.83 per share in cash (or, as a result of our 1-for-3 reverse stock split effectuated in March 2023, \$2.49 per share), and \$2.85 per share in cash, respectively. Pegasus is the beneficial owner of our common stock owned of record by Slipstream. The Special Committee of the Company's Board of Directors (the "Special Committee") concluded that each proposal undervalued the Company based on the Special Committee's views of the intrinsic value of the Company's existing business and current and future prospects, and was not in the best interests of the Company's existing shareholders. Consequently, the Special Committee advised Pegasus that it rejected each proposal, and since such time, Pegasus has not made any subsequent acquisition proposal.

Our Articles of Incorporation grant our 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.

Our authorized capital consists of 116,666,666 shares of capital stock, 50,000,000 of which is undesignated preferred stock. Pursuant to authority granted by our Articles of Incorporation, our Board of Directors, without any action by our 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 such designation 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 our common shares. The designation and issuance of shares of capital stock having preferential rights could adversely affect other rights appurtenant to shares of our common stock. Furthermore, any issuances of additional stock (common or preferred) will dilute the percentage of ownership interest of then-current holders of our capital stock and may dilute our book value per share.

We have never paid dividends on our capital stock and we do not anticipate paying dividends in the foreseeable future.

We have never paid dividends on any of our capital stock and currently intend to retain any future earnings to fund the growth of our business. Any determination to pay dividends in the future will be at the discretion of our Board of Directors and will depend on our financial condition, operating results, capital requirements, general business conditions, and other factors that our Board of Directors may deem relevant. As a result, capital appreciation, if any, of our common stock will be the sole source of gain for the foreseeable future.

We do not have significant tangible assets that could be sold upon liquidation.

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

We can provide no assurance that our securities will continue to meet Nasdaq listing requirements. If we fail to comply with the continuing listing standards of the Nasdaq, our securities could be delisted.

In 2022, the bid price of our common stock closed for 30 consecutive trading days below the \$1.00 per share minimum required for continued listing on The Nasdaq Capital Market pursuant to Nasdaq Listing Rule 5550(a)(2) (the “Minimum Bid Price Requirement”). Although we cured such noncompliance as a result of its 1-for-3 reverse stock split in March 2023, the trading price of our common stock has been subject to large movement in the past, especially in light of historically low trading volumes. In addition, Nasdaq has recently adopted new rules that could hinder our ability to cure any future deficiency and maintain the continued listing of our common stock. These new rules, which became effective in January 2025, provide for the immediate delisting with no grace period of any listed company that falls out of compliance after the effective date with the Minimum Bid Price Requirement for a second time in a twelve-month period, provide for immediate delisting if a listed company effects a reverse stock split that causes it to fall out of compliance with certain other listing requirements, and limit the ratio of reverse stock splits to a cumulative ratio of 1-to-250 in any two-year period.

We cannot be certain that we will be able to comply with the Minimum Bid Price Requirement and the other continued listing requirements of Nasdaq in the future, in which case our common stock may be delisted from the Nasdaq Capital Market. In the event our common stock is delisted from The Nasdaq Capital Market and we are also unable to maintain listing on another alternate exchange, trading in our common stock could thereafter be conducted in FINRA’s OTC Bulletin Board or in the over-the-counter markets in the so-called “pink sheets.” Delisting would likely have an adverse effect on the liquidity of our common stock, decrease the market price of our common stock, result in the potential loss of coverage by analysts and confidence by investors, customers, and employees, fewer business development opportunities, and adversely affect our ability to obtain financing for our continuing operations on favorable terms or at all.

Sales of a substantial number of shares of our common stock in the public market by certain of our shareholders, including Slipstream, could cause our stock price to fall.

Sales of a substantial number of shares of our common stock in the public market or the perception that these sales might occur by our significant shareholders, including Slipstream, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. We are unable to predict the effect that sales may have on the prevailing market price of our common stock.

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

In general, there has been minimal trading volume in our common stock. Small trading volumes would likely make it difficult for our 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 our common stock publicly at the time and prices that you feel are fair or appropriate.

GENERAL RISK FACTORS

Because of our limited internal resources, we may not have in place various processes and protections common to more mature companies and may be more susceptible to adverse events.

We have limited internal resources. As a result, we may not have in place systems, processes, and protections that many of our competitors have or that may be essential to protect against various risks. For example, we have in place only limited resources and processes addressing human resources, timekeeping, data protection, business continuity, personnel redundancy, and knowledge institutionalization concerns. As a result, we are at risk that one or more adverse events in these and other areas may materially harm our business, financial condition, and results of operations.

Uncertain global macro-economic and political conditions could materially adversely affect our results of operations and financial condition.

Our results of operations are materially affected by economic and political conditions in the United States and internationally, including inflation, deflation, interest rates, recession, availability of capital, and the effects of governmental initiatives to manage economic conditions. The current conflicts in Ukraine and the Middle East, resulting sanctions and related countermeasures by the United States and other countries, and newly imposed and threatened tariffs could lead to market disruptions, including significant volatility in the credit and capital markets and the economy in general, which could weaken our operations and financial performance. Any developments or escalation of these conflicts, or any new conflicts, including those resulting from the policies of the new Presidential Administration, could significantly affect worldwide political stability and cause turmoil in the capital markets and generally in the global financial system. Additionally, the geopolitical and macroeconomic consequences of these events and associated sanctions cannot be predicted but could severely impact the world economy. If any of these events occur, the resulting political instability and societal disruption could cause our customers to slow or decrease spending on our products and services as their budgets are impacted by economic or political conditions. To the extent our customers are unable to profitably leverage various forms of digital marketing technology and solutions, and/or the content we create, deliver and publish on their behalf, they may reduce or eliminate their purchase of our products and services. A decline in customer spending may adversely affect our earnings and cash flows. In addition, deterioration of conditions in worldwide credit markets could limit our ability to obtain financing to fund our operations and capital expenditures.

Inflation and price volatility in the global economy could hurt our business and results of operations.

During the past several years, inflation in the United States rose to levels not experienced in recent decades, including rising energy prices, prices for consumer goods, interest rates, wages, and currency volatility. These increases and any fiscal or other policy interventions by the U.S. government in reaction to such events could harm our business by increasing our operating costs and our borrowing costs, as well as decreasing the capital available to our customers and prospective customers who wish to purchase our products and services. The cost to operate and maintain and grow our operations could increase faster or at a rate greater than any ability to increase our prices, which could adversely affect our results of operations.

ITEM 1B UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 1C CYBERSECURITY

Cybersecurity Risk Management and Strategy

We have developed and implemented cybersecurity risk management processes intended to protect the confidentiality, integrity, and availability of our critical systems and information. While everyone at our company plays a part in managing cybersecurity risks, primary cybersecurity oversight responsibility is shared by our Board of Directors and senior management. Our cybersecurity risk management program is integrated into our overall enterprise risk management program.

Our cybersecurity risk management program includes:

- physical, technological, and administrative controls intended to support our cybersecurity and data governance framework, including protections designed to protect the confidentiality, integrity, and availability of our key information systems and customer, employee, partner, and other third-party information stored on those systems, such as access controls, encryption, data handling requirements, and other cybersecurity safeguards, and internal policies that govern our cybersecurity risk management and data protection practices;
- a defined procedure for timely incident detection, containment, response, and remediation, including a written security incident response plan that includes procedures for responding to cybersecurity incidents;
- cybersecurity risk assessment processes designed to help identify material cybersecurity risks to our critical systems, information, products, services, and broader enterprise IT environment;
- cybersecurity awareness training of our employees, incident response personnel, and senior management;
- a cybersecurity incident response plan that includes procedures for responding to cybersecurity incidents;
- the use of external consultants or other third-party experts and service providers, where considered appropriate, to assess, test, or otherwise assist with aspects of our cybersecurity controls; and
- annual cybersecurity and privacy training of employees, including incident response personnel and senior management, and specialized training for certain teams depending on their role and/or access to certain types of information, such as consumer information.

During the year ended December 31, 2024, we did not identify risks from known cybersecurity threats, including as a result of any prior cybersecurity incidents we have experienced from time to time, that have materially affected or are reasonably likely to materially affect us, including our operations, business strategy, operating results, or financial condition. We will continue to monitor and assess our cybersecurity risk management program as well as invest in and seek to improve such systems and processes as appropriate. If we were to experience a material cybersecurity incident in the future, such incident may have a material adverse effect on our operations, business strategy, operating results, and financial condition. For more information regarding cybersecurity risks that we face and potential related impacts on our business, see the section titled “Risk Factors” in Part I, Item 1A of this Report.

Board Governance

Our full Board of Directors oversees our risk management, including our information technology and cybersecurity policies, procedures, and risk assessments. Our management reports to our Board of Directors on information security matters as necessary, regarding any significant cybersecurity incidents, as well as any incidents with lesser impact potential.

One of the key functions of our Board of Directors is informed oversight of our various processes for managing risk. An overall review of risk is inherent in our Board of Directors ongoing consideration of our long-term strategies, transactions and other matters presented to and discussed by the Board of Directors. This includes a discussion of the likelihood and potential magnitude of various risks, including cybersecurity risks, and any actions management has taken to limit, monitor or control those risks. The Board of Directors receives briefings from management periodically on our cyber risk management program and presentations on cybersecurity topics as part of the Board of Directors’ continuing education on topics that impact public companies.

ITEM 2 PROPERTIES

Our headquarters is located at 13100 Magisterial Drive, Suite 100, Louisville, KY 40223, where we lease approximately 19,000 square-feet of office space, including approximately 7,300 square-feet of warehouse space. We also lease office spaces in other locations to support our operations outside of Louisville. We lease approximately 6,000 square feet to support our Canadian operations at a facility located at 4600 Rhodes Drives, Unit 3 & 4, Windsor, Ontario, 4,500 square feet to support our Atlanta operations at a facility known as Northridge Center II, located at 365 Northridge Road, Atlanta, GA 30350, and, 3,300 square feet to support the Reflect operations at a facility located at 5345 Towne Square Drive, Plano, Texas. We believe our current space is sufficient for our projected near-term future growth.

Our corporate phone number is (502) 791-8800.

ITEM 3 LEGAL PROCEEDINGS

Information regarding legal proceedings can be found in [Note 8 Commitments and Contingencies](#) to the Company's Consolidated Financial Statements included in this Report.

ITEM 4 MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5 MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock is listed for trading on the Nasdaq Capital Market under the symbol "CREX". The transfer agent and registrar for our common stock is Computershare Limited.

Shareholders

As of March 10, 2025, we had 356 holders of record of our common stock.

Dividend Policy

We have never declared or paid cash dividends on our common stock. We currently intend to retain future earnings, if any, to operate and expand our business and to finance the development and expansion of our business. We do not anticipate paying cash dividends on our common stock in the foreseeable future. Any payment of cash dividends in the future will be at the discretion of our Board of Directors and will depend upon our results of operations, earnings, capital requirements, contractual restrictions, and other factors deemed relevant by our Board of Directors.

Holders of our common stock are entitled to share pro rata in dividends and distributions with respect to the common stock when, as and if declared by our Board of Directors out of funds legally available for distribution.

Recent Sales of Unregistered Securities

None.

ITEM 6 [RESERVED]

Not applicable.

ITEM 7 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

(All currency is rounded to the nearest thousands, except share and per share amounts.)

The following discussion should be read in conjunction with the financial statements and related notes for the years ended December 31, 2024 and 2023, which are included elsewhere in this Report. This Management's Discussion and Analysis of Financial Condition and Results of Operations contains statements that are forward-looking. These statements are based on current expectations and assumptions that are subject to risk, uncertainties and other factors. These statements are often identified by the use of words such as "may," "will," "expect," "believe," "anticipate," "intend," "could," "estimate," or "continue," and similar expressions or variations.

You should review the "[Cautionary Note Regarding Forward-Looking Statements; Risk Factor Summary](#)," and "[Risk Factors](#)" sections of this Report for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements described in the following discussion and analysis.

Overview

The Company transforms environments through digital solutions by providing innovative digital signage solutions for key market segments and use cases, including:

- Retail
- Entertainment and Sports Venues
- Restaurants, including QSRs
- Convenience Stores
- Financial Services
- Automotive
- Medical and Healthcare Facilities
- Mixed Use Developments
- Corporate Communications, Employee Experience
- DOOH Advertising Networks

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

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

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

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

- **Breadth of solutions** – Creative Realities offers a wide breadth of solutions to our customers. Creative Realities is one of only a few companies in the industry capable of providing the full portfolio of products and services required to implement and run an effective digital signage network. We leverage a 'single vendor' approach, providing customers with a one-stop-shop for sourcing digital signage solutions from design through day two services.
- **Managed labor pool** – Unlike most companies in our industry, we have a curated labor pool of qualified and vetted field technicians available to service customers quickly nationwide. We can meet tight schedules even in exceptionally large deployments and still ensure quality and consistency.
- **In-house creative resources** – We assist customers in creating new content or repurposing existing content for digital signage experiences, an activity for which the Company has won several design awards in recent years. In each instance, our services can be essential in helping customers develop an effective content program.
- **Network scalability and reliability** – Our SaaS content management platforms power some of the largest and most complex digital signage networks in North America, evidencing our ability to manage enterprise scale projects. This also provides us purchasing power to source products and services for our customers, enabling us to deliver cost effective, reliable and powerful solutions to small and medium size business customers.
- **AdTech platforms** – The Company has developed and deployed the AdLogic and Adlogic CPM+ platforms, which, working in conjunction with our CMS platforms, present completely integrated digital advertising solutions for existing and prospective customers seeking to monetize their in-store retail media networks. These platforms anchor the Company's vertical expansion into AdTech bringing new, and expanding existing, addressable markets.
- **Market sector expertise** – Creative Realities has in-house experts in key market segments such as automotive, retail, QSRs, convenience stores, and DOOH advertising. Our expertise in these business segments enable our teams to provide meaningful business conversations and offer tailored solutions with prospects and customers to their unique business objectives. These experts build industry relationship and create thought leadership that drives lead flow and new opportunities for our business.
- **Logistics** – Implementing a large digital signage project can be a logistical nightmare that can stall an initiative, even before deployment. Our expertise in logistics improves deployment efficiency, reduces delays and problems, and saves customers time and money.
- **Technical support** – Digital signage networks present unique challenges for corporate IT departments. We simplify and improve end user support by leveraging our own NOC in Louisville, Kentucky. The NOC resolves many issues remotely and when field support is required, it can be dispatched quickly from the NOC, leveraging our managed labor pool to resolve customer issues quickly and effectively.
- **Integrations and Application Development** – The future of digital signage is not still images and videos on a screen. We believe that interactive applications and integrations with other data sources will dominate the future. From social media feeds, mobile integrations, corporate data stores, or POS systems, our proven ability to build scalable applications and integrations is a key advantage that customers can leverage to deliver more compelling and engaging experiences for their customers.

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

Our Sources of Revenue

The three primary sources of revenue for the Company are:

- Hardware sales from reselling digital signage hardware from original equipment manufacturers such as Samsung and BrightSign.
- Services revenue from helping customers design, deploy and manage their digital signage network, including:
 - Hardware system design/engineering
 - Hardware installation
 - Content development
 - Content scheduling
 - Post-deployment network and field support
 - Media sales
- Recurring subscription licensing and support revenue from our digital signage software platforms, which are generally sold via a SaaS model. Our platforms:
 - **ReflectView**, the Company's core digital signage platform for most applications, scalable and cost effective from 10 to 100,000+ devices;
 - **Reflect Xperience**, a web-based interface that allows customers to give content scheduling access to local users via the web or mobile devices, while still maintaining centralized programming control;
 - **Reflect AdLogic**, the Company's ad management platform for digital signage networks, which presently delivers approximately 50 million ads daily;
 - **Clarity**, the Company's menu board solution, which has become a market leader for a range of restaurant, including QSR and convenience store applications;
 - **Reflect Zero Touch**, which allows customers to turn any screen into an interactive experience by allowing guests to engage using their mobile device;
 - **iShowroomProX**, an omni-channel digital sales support platform targeted at original equipment manufacturers in the transportation sector, which integrates with dozens of key data services including dealer inventory at the VIN level; and
 - **OSx+**, a digital VIN-level checklist used to assist in the tracking and delivery of new vehicles in the transportation sector, providing measurable lift in customer satisfaction scores and connected vehicle enrollments and subscription activations.

While hardware sales and support services revenues can fluctuate more significantly year over year based on new, large-scale network deployments, the Company is focusing on maintaining and increasing recurring SaaS revenue as digital signage adoption/utilization expands across the vertical markets we serve.

Our Operating Expenses

Our operating expenses are comprised of sales and marketing, and general and administrative expenses. Sales and marketing expenses include salaries and benefits for our sales, business development solution management and marketing personnel, and commissions paid on sales. This category also includes amounts spent on marketing networking events, promotional materials, hardware and software to prospective new customers, including those expenses incurred in trade shows and product demonstrations, and other related expenses. Our general and administrative expenses consist of corporate overhead, including administrative salaries, real property lease payments, salaries, and benefits for our corporate officers and other expenses such as legal and accounting fees.

Recent Developments

Public Offering

On August 17, 2023, the Company conducted a public offering for the sale by the Company of an aggregate of 3,000,000 shares of common stock, par value \$0.01 per share at a public offering price of \$2.00 per share and received approximately \$5,454 in net proceeds, after deducting underwriting fees of \$478 and offering costs of \$68.

Reverse stock split

On March 27, 2023, the Company effected a 1-for-3 stock split of the shares of the Company's common stock, par value \$0.01 per share.

As a result of the reverse stock split, effective 12:01 am on March 27, 2023, every three shares of common stock then-issued and outstanding automatically combined into one share of common stock, with no change in par value per share. All fractional shares resulting from the reverse split were rounded up to the nearest whole share of common stock. In connection with the reverse stock split, the total number of shares of common stock authorized for issuance was reduced from 200,000,000 shares to 66,666,666 shares in proportion to the outstanding shares of common stock.

Effective as of the same time as the reverse stock split, the number of shares of common stock available for issuance under the Company's equity compensation plans were reduced in proportion to the reverse stock split. The reverse stock split also resulted in the number of shares of common stock issuable upon exercise of outstanding warrants, or the exercise or vesting of equity awards, in proportion to the reverse stock split and caused a proportionate increase in exercise price or share-based performance criteria, where applicable.

Rejection of unsolicited offers

On February 2, 2023 and May 1, 2023, we received unsolicited proposals from Pegasus, to acquire all of the outstanding shares of common stock of the Company that are not owned by Pegasus for purchase prices of \$0.83 per share in cash (or, as a result of our 1-for-3 reverse stock split effectuated in March 2023, \$2.49 per share), and \$2.85 per share in cash, respectively. Pegasus is the beneficial owner of our common stock owned of record by Slipstream. The Special Committee concluded that each proposal undervalued the Company based on the Special Committee's views of the intrinsic value of the Company's existing business and current and future prospects, and was not in the best interests of the Company's existing shareholders. Consequently, the Special Committee advised Pegasus that it rejected each proposal, and since such time, Pegasus has not made any subsequent acquisition proposal.

Results of Operations

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

Year Ended December 31, 2024 Compared to Year Ended December 31, 2023

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

	Year Ended December 31,		Change	
	2024	2023		%
Sales	\$ 50,854	\$ 45,166	\$ 5,688	13%
Cost of sales	26,843	22,983	3,860	17%
Gross profit	24,011	22,183	1,828	8%
Sales and marketing expenses	6,015	5,247	768	15%
General and administrative expenses	17,058	15,590	1,468	9%
Total operating expenses	23,073	20,837	2,236	11%
Operating income	938	1,346	(408)	30%
Other expense (income):				
Interest expense, including amortization of debt discount	1,775	2,992	(1,217)	41%
Loss on change in fair value of contingent consideration	1,608	1,419	189	13%
Loss on debt extinguishment	1,059	-	1,059	100%
Other expenses (income), net	(102)	(211)	109	52%
Total other expense (income)	4,340	4,200	140	3%
Net loss before income taxes	(3,402)	(2,854)	(548)	19%
Income tax expense	(106)	(83)	(23)	28%
Net loss	\$ (3,508)	\$ (2,937)	\$ (571)	19%

Sales

Sales increased by \$5,688, or 13%. Hardware revenues were \$18,259, a decrease of \$2,044 or 10%. Services and other revenues were \$32,595, an increase of \$7,732 or 31%, driven by installation and managed services revenue. Managed services revenue, which includes both SaaS and help desk technical subscription services increased to \$19,547 from \$15,916. The increase is driven by increasing software subscription revenue, with the annual recurring run rate of our subscription license revenue growing from \$16,336 as of December 31, 2023 to \$16,785 as of December 31, 2024. This represents a year-over-year growth rate of approximately 6% in our higher margin, typically subscription-based, managed service revenue.

Gross Profit

Gross profit increased \$1,828 to \$24,011 from \$22,183, or 8%, through a combination of a 13% increase in revenue partially offset by a 2% decrease in gross margin percentage. Gross margin decreased to 47% from 49% driven by revenue mix in our services revenue, which included an 83% increase in installation services in the current year.

Sales and Marketing Expenses

Sales and marketing expenses generally include the salaries, taxes, and benefits of our sales and marketing personnel, as well as trade show activities, travel, and other related sales and marketing costs. Sales and marketing expenses increased by \$768, or 15%, for the year ending December 31, 2024 as compared to the same period in 2023, driven primarily by the Company's enhanced investments into sales and marketing activities, including increases of (1) \$582 in fixed and variable sales costs as the Company continues to invest in new business development to strengthen its pipeline, and (2) \$171 in variable third party media-related commissions.

General and Administrative Expenses

General and administrative expenses increased \$1,468, or 9%, for the year ending December 31, 2024 as compared to the same period in 2023. The change is driven by an increase of \$1,999 in personnel costs, including both the Company's portion of employee benefits and other administrative and processing costs associated with employment, in the current year driven by increased headcount in development and administrative functions to support active and anticipated deployments for a growing number of customers. Increases in general and administrative expenses were offset by a \$550 decrease in stock compensation expense in the current period as all outstanding time vested and performance awards for employees and directors were fully expensed as of December 31, 2023.

Interest Expense

See [Note 7 Debt](#) to the Consolidated Financial Statements for a discussion of the Company's debt and related interest expense obligations.

Loss on change in fair value of contingent consideration

The Company has a contingent consideration arrangement related to the Merger to potentially pay additional cash amounts in future periods based on the lack of achievement of certain share price performance goals of our common stock. See [Note 2 Section 13 Summary of Significant Accounting Policies - Contingent Consideration](#) to the Consolidated Financial Statements for a discussion of the Company's obligations related to the contingent consideration arrangement. The contingent consideration arrangement is recorded at fair value and is classified as a liability on the acquisition date and is remeasured at each reporting period in accordance with ASC 805-30-35-1 using a Monte Carlo simulation model. The change in the period represents the mark-to-market adjustment as of the balance sheet date.

Loss on extinguishment of debt

The Company recognized a \$1,059 loss on extinguishment of debt equal to the remaining unamortized portion of debt discount associated with the Acquisition Term Loan and Consolidation Term Loan as of May 23, 2024, the date the Company entered into the Credit Agreement.

Supplemental Operating Results on a Non-GAAP Basis

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

Quarters ended	Year Ended 2024	Quarters Ended			
		December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
GAAP net (loss) income	\$ (3,508)	\$ (2,838)	\$ 54	\$ (615)	\$ (109)
Interest expense:					
Amortization of debt discount	569	-	-	209	360
Other interest, net	1,206	296	303	304	303
Depreciation/amortization:					
Amortization of intangible assets	3,877	1,128	1,081	878	790
Amortization of employee share-based awards	13	4	3	3	3
Depreciation of property and equipment	201	49	51	52	49
Income tax expense (benefit)	106	(120)	192	25	9
EBITDA	<u>\$ 2,464</u>	<u>\$ (1,481)</u>	<u>\$ 1,684</u>	<u>\$ 856</u>	<u>\$ 1,405</u>
Adjustments					
Loss (Gain) on fair value of contingent consideration	1,608	2,022	598	(408)	(604)
Loss on debt extinguishment	1,059	-	-	1,059	-
Other expense (income)	(102)	(74)	(11)	18	(35)
Adjusted EBITDA	<u>\$ 5,029</u>	<u>\$ 467</u>	<u>\$ 2,271</u>	<u>\$ 1,525</u>	<u>\$ 766</u>

Quarters ended	Year Ended 2023	Quarters Ended			
		December 31, 2023	September 30, 2023	June 30, 2023	March 31, 2023
GAAP net (loss) income	\$ (2,937)	\$ 1,419	\$ (1,931)	\$ (1,425)	\$ (1,000)
Interest expense:					
Amortization of debt discount	1,443	366	363	358	356
Other interest, net	1,549	302	371	429	447
Depreciation/amortization:					
Amortization of intangible assets	3,055	781	766	754	754
Amortization of employee share-based awards	383	4	3	151	225
Depreciation of property and equipment	166	48	50	43	25
Income tax expense (benefit)	83	10	(15)	45	43
EBITDA	<u>\$ 3,742</u>	<u>\$ 2,930</u>	<u>\$ (393)</u>	<u>\$ 355</u>	<u>\$ 850</u>
Adjustments					
Loss (Gain) on fair value of contingent consideration	1,419	(42)	1,369	16	76
Stock-based compensation – Director grants	150	21	43	43	43
Other expense (income)	(211)	(79)	3	(123)	(12)
Adjusted EBITDA	<u>\$ 5,100</u>	<u>\$ 2,830</u>	<u>\$ 1,022</u>	<u>\$ 291</u>	<u>\$ 957</u>

Liquidity and Capital Resources

See [Note 1 Nature of Organization and Operations](#) to the accompanying Consolidated Financial Statements for a detailed discussion of liquidity and financial resources.

Operating Activities

The cash flows provided by operating activities were \$3,381 and \$5,167 for the years ended December 31, 2024 and 2023, respectively. The Company generated a net loss of \$3,508, which included depreciation and amortization expense (inclusive of amortization of debt discount) of \$4,647, a loss on the extinguishment of debt of \$1,059, and a loss on the change in fair value of contingent consideration of \$1,608. The Company had a \$531 decrease in cash provided by operating activities due to changes in operating assets and liabilities, primarily due to decreases in accounts payable, and customer deposits, partially offset by a decrease in accounts receivable.

Investing Activities

Net cash used in investing activities during the year ended December 31, 2024 was \$2,801 as compared to \$4,027 for the same period in 2023. We currently do not have any commitments for capital expenditures as of December 31, 2024. The reduction in capital expenditures in 2024 compared to prior period was anticipated as the Company has been reducing third-party development resources utilized for the modernization and internationalization of our automotive platform, which launched to user acceptance testing during the second quarter of 2024.

Financing Activities

Net cash used in financing activities during the year ended December 31, 2024 was \$2,453 compared to net cash provided by financing activities of \$137 for the same period in 2023. Net cash used in financing activities during the year ended December 31, 2024, is primarily the result of the repayment of related party term debt totaling \$15,147, partially offset by net proceeds of \$13,044 from borrowings and payments under the Company's revolving credit facility.

Off-Balance Sheet Arrangements

During the year ended December 31, 2024, we did not engage in any off-balance sheet arrangements set forth in Item 303(a) (4) of Regulation S-K.

Critical Accounting Policies and Estimates

Our management is responsible for our financial statements and has evaluated the accounting policies to be used in their preparation. Our management believes these policies are reasonable and appropriate. The Company's significant accounting policies are described in [Note 2 Summary of Significant Accounting Policies](#) of the Company's Consolidated Financial Statements included within Part II, ITEM 8 of this Report. The following discussion identifies those accounting policies that we believe are critical in the preparation of our financial statements, the judgments and uncertainties affecting the application of those policies and the possibility that materially different amounts will be reported under different conditions or using different assumptions.

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America ("GAAP") requires that management make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of commitments and contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Our actual results could differ from those estimates.

Revenue Recognition

We recognized revenue in accordance with Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 606, *Revenue from Contracts with Customers* (“ASC 606”). Under ASC 606, we account for revenue using the following steps:

- Identify the contract, or contracts, with a customer;
- Identify the performance obligations in the contract;
- Determine the transaction price;
- Allocate the transaction price to the identified performance obligations; and
- Recognize revenue when, or as, we satisfy our performance obligations.

See [Note 2 Summary of Significant Accounting Policies](#) and [Note 4 Revenue Recognition](#) in our Consolidated Financial Statements, included in Part II, ITEM 8 of this Report, for a complete discussion of our revenue recognition policies.

Goodwill

Goodwill is evaluated for impairment annually as of September 30 and whenever events or circumstances make it more likely than not that impairment may have occurred. We have no other indefinite-lived intangible assets. We have one reporting unit, and therefore the entire goodwill is allocated to that reporting unit.

Using the quantitative approach, fair value of the reporting unit is estimated using both (1) a market approach, leveraging recent industry merger and acquisition activity as well as comparable public company information, and (2) a discounted cash flow analyses consisting of various assumptions, including expectations of future cash flows based on projections or forecasts derived from analysis of business prospects and economic or market trends that may occur. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. If the carrying amount exceeds the fair value, further analysis is performed to measure the impairment loss.

Using the qualitative approach, the Company reviews macroeconomic conditions, industry and market conditions and entity specific factors, including strategies and financial performance for potential indicators of impairment.

Our market capitalization could fluctuate from time to time. Such fluctuation may be an indicator of possible impairment of goodwill if our market capitalization falls below its book value. If this situation occurs, we perform the required detailed analysis to determine if there is impairment.

No impairment was recorded as a result of our annual assessment completed as of September 30, 2024.

The valuation of goodwill is subject to a high degree of judgment, uncertainty and complexity. We believe the future estimates and assumptions used to test for impairment losses on goodwill are reasonable. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to an impairment charge that could be material.

Income Taxes

Accounting for income taxes requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities. These deferred taxes are measured by applying the provisions of tax laws in effect at the balance sheet date, including the impact of the Tax Cuts and Jobs Act enacted on December 22, 2017 (the “Tax Act”).

We recognize in income the effect of a change in tax rates on deferred tax assets and liabilities in the period that includes the enactment date.

As of December 31, 2024, a full valuation allowance is recorded against our deferred tax. The valuation allowance is based, in part, on our estimate of future taxable income, the expected utilization of federal and state tax loss carryforwards, and credits and the expiration dates of such tax loss carryforwards. Significant assumptions are used in developing the analysis of future taxable income for purposes of determining the valuation allowance for deferred tax assets which, in our opinion, are reasonable under the circumstances.

Impact of Recently Issued Accounting Pronouncements

Refer to [Note 2 Summary of Significant Accounting Policies](#) in our Consolidated Financial Statements included in Part II, ITEM 8 of this Report, for a full description of recent accounting pronouncements, including the expected dates of adoption and estimated effects on results of operations and financial condition, which is incorporated herein by reference.

ITEM 7A QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 8 FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Index to Consolidated Financial Statements on [Page F-1](#).

ITEM 9 CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None

ITEM 9A CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), of the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, as of the end of the period covered by this Report. Based on that evaluation, our management, including our Chief Executive Officer and Chief Financial Officer, concluded that our disclosure controls and procedures were effective as of December 31, 2024, and designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Therefore, even those systems determined to be effective can provide only reasonable assurance of achieving their control objectives.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we evaluated the effectiveness of our internal control over financial reporting as of December 31, 2024 based on the framework in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our assessment and those criteria, management believes that we maintained effective internal control over financial reporting as of December 31, 2024.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2024, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B OTHER INFORMATION

Rule 10b5-1 Trading Plans

During the quarter ended December 31, 2024, none of the officers (as defined in Exchange Act Rule 16a-1(f)) or directors of the Company adopted or terminated a "Rule 10b5-1 trading arrangement," (as defined in Item 408(a) of Regulation S-K) intended to satisfy the affirmative defense conditions of Exchange Act Rule 10b5-1(c) or any non-Rule 10b5-1 trading arrangement.

Earnings Release

On March 14, 2025, the Company issued a press release announcing its financial condition and results of operations for the three months and year ended December 31, 2024. A copy of the press release is furnished as Exhibit 99.1 and is incorporated by reference into this Item 9B in lieu of separately furnishing such press release under Item 2.02 of Form 8-K. This disclosure, including Exhibit 99.1 hereto, shall not be deemed "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference into any of the Company's filings under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

ITEM 9C DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10 DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Our Board of Directors consists of Richard Mills (Chairman and CEO), David Bell, Donald Harris, and Stephen Nesbit.

The following table sets forth the name, age and position of each of our current directors and executive officers.

Name	Age	Positions
David Bell	81	Director
Donald A. Harris	72	Director
Richard Mills	69	Chief Executive Officer and Director
Stephen Nesbit	74	Director
David Ryan Mudd	37	Interim Chief Financial Officer

The biographies of the above-identified individuals are set forth below:

David Bell joined our Board of Directors in August 2014 in connection with our acquisition of Creative Realities, LLC. Mr. Bell brings over 40 years of advertising and marketing industry experience to the Board, including serving as CEO of three of the largest companies in the industry — Bozell Worldwide, True North Communications and The Interpublic Group of Companies, Inc. Mr. Bell has previously led Slipstream Communications, LLC which is an international company providing strategic branding, digital marketing, and public relations services and served as a Senior Advisor to Google Inc. from 2006 to 2009. Mr. Bell previously served as an Operating Advisor at Pegasus Capital Advisors. He was a Senior Advisor to AOL from 2008 to 2016 and has also served on the boards of multiple publicly traded companies, including Lighting Science Group Corporation and Point Blank Solutions, Inc., and Primedia, Inc., and served as President and CEO of The Interpublic Group of Companies Inc. from 2003 to 2005. Mr. Bell served as an independent director on the Board of Directors of Time, Inc. from June 2014 to January 2018.

Donald A. Harris was appointed to our Board of Directors in August 2014 in connection with our acquisition of Broadcast International, Inc. He has been President of 1162 Management, and the General Partner of 5 Star Partnership, a private equity firm, since June 2006. Mr. Harris has been President and Chief Executive Officer of UbiquiTel Inc., a telecommunications company organized by Mr. Harris and other investors, since its inception in September 1999 and also its Chairman since May 2000. Mr. Harris served as the President of Comcast Cellular Communications Inc. from March 1992 to March 1997. Mr. Harris received a Bachelor of Science degree from the United States Military Academy and an MBA from Columbia University. Mr. Harris's experience in the telecommunications industry and his association with private equity funding is valuable to the Company.

Richard Mills is currently our Chief Executive Officer, a member of our Board of Directors and Chairman of the Board. Mr. Mills has served as our Chief Executive Officer and a member of our Board of Directors since 2015, and has served as Chairman of the Board since November 2023. Mr. Mills possesses over 32 years of industry experience. He was previously Chief Executive Officer of ConeXus World Global, a leading digital media services company, which he founded in 2010, and which was acquired by the Company. Prior to founding ConeXus, Mr. Mills was President and Director at Beacon Enterprise Solutions Group, Inc., a public telecom and technology infrastructure services provider. Previous to that, he joined publicly traded Pomeroy Computer Resources, Inc. in 1993 and served as Chief Operating Officer and a member of the Board of Directors from 1995 until 1999. Mr. Mills helped grow sales at Pomeroy during his time there from \$100 million to \$700 million. Mr. Mills was also a founder of Strategic Communications LLC.

Stephen Nesbit was appointed to our Board of Directors in 2019. Mr. Nesbit has been in the digital signage and digital advertising industry for over 20 years. He is currently the Managing Director of Prestonwood Trail Holdings LLC and has provided advisory services for companies in the Digital Signage and Digital Media Industry for the past 10 years. He has directed and advised projects in North America, Europe, Asia proper, Southeast Asia, the Middle East, Australia and Africa. Prior to founding Prestonwood Trail, Mr. Nesbit was the President/COO at Reflect Systems, a prominent software and services company in the Digital Signage business. He joined Reflect after serving as President/COO of MarketForward, the Global Digital Media Division owned by the Publicis Groupe S.A. in Paris France. Mr. Nesbit began his career in Digital Signage as the EVP Global Operations & GM International Business for Next Generation Network. NGN was one of the first Digital Place Based Advertising companies in the industry before its sale to Anschutz Investments where the company changed its name to National Cinemedia (NASDAQ: NCMI). He began his career at IBM in the Data Processing Division holding various field and HQ management positions. Mr. Nesbit also held management and executive positions at Wang Labs and BBN Communications Inc., the communications company that was the original architect of the Internet. Mr. Nesbit holds an undergraduate degree from the University of Notre Dame and earned an MBA from the Indiana University Kelly Graduate School of Business.

David Ryan Mudd has served as the Interim Chief Financial Officer of the Company since February 1, 2025. Mr. Mudd joined the Company as Controller in November 2022. From January 2012 until November 2022, Mr. Mudd was employed by Ernst & Young in the assurance services group where he primarily worked with large publicly traded clients. Mr. Mudd brings over ten years of experience in SEC reporting, technical accounting matters and Sarbanes-Oxley compliance expertise as well as expertise in initial public offerings, acquisitions and integration. He has a B.S. degree and a Masters in Accountancy from University of Kentucky and is a Certified Public Accountant.

Under our corporate bylaws, all of our directors serve for annual terms expiring upon the next annual meeting of our shareholders.

When considering whether directors and nominees have the experience, qualifications, attributes and skills to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of our business and structure, the Board of Directors focuses primarily on the industry and transactional experience, in addition to any unique skills or attributes associated with a director. With regard to Mr. Bell, the Board considered his deep experience within the advertising and marketing industries and his prior management of large enterprises. With regard to Mr. Mills, the Board of Directors considered his extensive background and experience in the industry. With regard to Mr. Harris, the Board of Directors considered his extensive experience in the telecommunications industry and association with private equity investors. Finally, with regard to Mr. Nesbit, the Board of Directors considered his extensive experience in the digital signage industry, having run several companies in the industry and acted as a consultant broadly for digital signage companies over the past twenty years.

The Board of Directors has determined that there are presently three “independent” directors, as such term is defined in Section 5605(a)(2) of the Nasdaq listing rules, each of whom also meets the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934. The directors whom the board has determined to be independent are Messrs. Bell, Harris, and Nesbit.

Board Committee Membership

Our Board of Directors has created a standing Compensation Committee and Audit Committee, which are described below. The Company’s committees have separately adopted charters that are available on the Company’s website at <https://investors.cri.com>. Mr. Bell, Mr. Harris, and Mr. Nesbit qualify as “independent” members of the board as described above.

The Board of Directors has not created a separate committee for nomination or corporate governance. Instead, the entire Board of Directors shares the responsibility of identifying potential director-nominees to serve on the Board of Directors. Nevertheless, nominees to serve as directors on our Board of Directors are selected by those directors on our board who are independent.

Compensation Committee Information. Our Compensation Committee consists of Stephen Nesbit, Donald Harris, and David Bell. Mr. Nesbit serves as chair of the committee. Each of the members of the Compensation Committee is independent under the applicable Nasdaq listing standards. The Compensation Committee did not meet during the fiscal year ended December 31, 2024. The Compensation Committee has a written charter. The Compensation Committee’s duties, which are specified in the Compensation Committee charter, include, but are not limited to:

- reviewing and approving on an annual basis the corporate goals and objectives relevant to the Company’s Chief Executive Officer’s compensation, evaluating the Company’s Chief Executive Officer’s performance in light of such goals and objectives and determining and approving the remuneration (if any) of the Company’s Chief Executive Officer based on such evaluation;
- reviewing and approving the compensation of all of our other executive officers;
- reviewing our executive compensation policies and plans;
- implementing and administering our incentive compensation equity-based remuneration plans;
- assisting management in complying with our proxy statement and annual report disclosure requirements, and reviewing specific disclosures in the proxy statement and reports;
- if required, producing a report on executive compensation to be included in our annual proxy statement;
- reviewing, evaluating, and recommending changes, if appropriate, to the remuneration for directors; and
- reviewing and reassessing, on an annual basis, the adequacy of the charter and recommending to the Board any proposed changes to the charter.

Audit Committee Information. Our Audit Committee consists of David Bell, Stephen Nesbit, and Donald Harris. Mr. Bell serves as chair of the committee. The Board of Directors has determined that at least one member of the Audit Committee, Mr. Bell, is an “audit committee financial expert” as that term is defined in Regulation S-K promulgated under the Securities Exchange Act of 1934. Mr. Bell’s relevant experience in this regard is detailed above in his biography. The Board of Directors has determined that each director serving on the Audit Committee is able to read and understand fundamental financial statements. The audit committee met four times during the fiscal year ended December 31, 2024. Pursuant to our audit committee charter, responsibilities of the Audit Committee include:

- reviewing and discussing with management and the independent auditor the annual audited financial statements, and recommending to the board whether the audited financial statements should be included in our required disclosures;
- reviewing and discussing interim financial statements prior to the filing of quarterly reports and earnings releases;
- approving the committee report, as required by the SEC rules, to be included in the Company’s annual proxy statement or annual report;
- discussing with management and the independent auditor significant financial reporting issues and judgments made in connection with the preparation of our financial statements;
- discussing with management major risk assessment and risk management policies;
- monitoring the independence of our independent auditor;
- verifying the rotation of the lead (or coordinating) audit partner having primary responsibility for the audit and the audit partner responsible for reviewing the audit as required by law;
- inquiring and discussing with management our compliance with applicable laws and regulations;
- pre-approving all audit services and permitted non-audit services to be performed by our independent auditor, including the fees and terms of the services to be performed;
- appointing or replacing the independent auditor;
- determining the compensation and oversight of the work of the independent auditor (including resolution of disagreements between management and the independent auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or related work;
- establishing procedures for the receipt, retention and treatment of complaints received by us regarding accounting, internal accounting controls or reports which raise material issues regarding our financial statements or accounting policies; and
- reviewing and reassessing on an annual basis the adequacy of the charter and recommending to the Board any proposed changes to the charter.

Communications with Board Members

Our Board of Directors has provided the following process for shareholders and interested parties to send communications to our Board and/or individual directors. All communications should be addressed to Creative Realities, Inc., 13100 Magisterial Drive, Ste. 100, Louisville, KY 40223, Attention: Corporate Secretary. Communications to individual directors may also be made to such director at our Company’s address. All communications sent to any individual director will be received directly by such individuals and will not be screened or reviewed by any Company personnel. Any communications sent to the Board in the care of the Corporate Secretary will be reviewed by the Corporate Secretary to ensure that such communications relate to the business of the Company before being reviewed by the Board.

Code of Ethics

We have adopted a Code of Business Conduct and Ethics that applies to all of our employees, officers (including our principal executive officer, principal financial officer, principal accounting officer or controller, and persons performing similar functions) and directors. Our Code of Business Conduct and Ethics is designed to help ensure our business is conducted in accordance with the highest standards of ethical behavior and satisfies the requirements of Item 406(b) of Regulation S-K. Our Code of Business Conduct and Ethics is available, free of charge, on the Company’s website at <https://investors.cri.com>, or upon written request to our Corporate Secretary at 13100 Magisterial Drive, Ste. 100, Louisville, KY 40223.

Insider Trading Policy

We have adopted an insider trading policy applicable to members of the Board of Directors, executive officers of the Company, and all employees of the Company (“Insiders”). The Company may also determine that other persons should be subject to the policy, such as contractors or consultants who have access to material non-public information. The policy prohibits any Insider, as well as any family member of any Insider or any entities over which an Insider has influence or control, from engaging in transactions involving the purchase or sale of the Company’s securities while such person has access to material nonpublic information, as well as from trading in the securities of other companies in breach of a fiduciary duty or other relationship of trust and confidence while in possession of material nonpublic information about such company or its securities.

ITEM 11 EXECUTIVE COMPENSATION**Executive Compensation****Summary Compensation Table**

The following table sets forth information concerning the compensation of our named executive officers for 2024 and 2023 (*table and footnotes in whole dollars*):

Name and Principal Position(a)	Years	Salary (\$)	Bonus \$(b)	Stock Awards (\$)	Option Awards \$(d)	Non-Equity Incentive Plan Compensation \$(e)	All Other Compensation (\$)	Total (\$)
Richard Mills	2024	450,000	—	—	—	—	—	450,000
Chief Executive Officer and Director	2023	450,000	—	—	—	—	—	450,000
Will Logan	2024	350,000	50,000	—	—	—	—	400,000
Chief Financial Officer	2023	350,000	—	—	—	—	—	350,000

(a) Mr. Mills joined the Company effective October 15, 2015. Mr. Logan joined the Company effective November 6, 2017 and resigned as Chief Financial Officer on January 31, 2025.

(b) On November 13, 2024, the Company awarded Mr. Logan, a \$50,000 bonus for his services rendered in 2023.

The material terms of employment agreements of Richard Mills, Chief Executive Officer of the Company, and Will Logan, Chief Financial Officer of the Company, and payments to be made upon a change in control are discussed below.

Our named executive officers are eligible for retirement benefits on the same terms as non-executives under the Company's defined contribution 401(k) retirement plan. Employees may contribute pretax or after-tax compensation to the plan in accordance with current maximum contribution levels proscribed by the Internal Revenue Service. The Company contributes an employer contribution match of 50% of employee wages up to 6%, for an effective match of 3%.

Richard Mills Employment Agreement

The Company employs Richard Mills as its Chief Executive Officer. Mr. Mills and the Company entered into an employment agreement on November 12, 2021. The employment agreement is effective for a one-year term, which automatically renews for additional one-year periods unless either the Company or Mr. Mills elects not to extend the term. The agreement provided for an initial annual base salary of \$330,000 subject to annual increases but generally not subject to decreases. In accordance with the agreement, Mr. Mills' annual base salary was adjusted automatically on February 17, 2022 upon the closing of the Merger to \$450,000, subject to annual increases but not generally subject to decreases. Under the agreement, Mr. Mills is eligible to participate in performance-based cash bonus or equity award plans for Company senior executives. Mr. Mills will participate in Company employee benefit plans, policies, programs, perquisites and arrangements to the extent he meets applicable eligibility requirements. In the event of a termination of employment for good reason, as defined, without cause, as defined, or within 12 months following a change in control, as defined, other than for reason of death, disability or for cause, Mr. Mills will be entitled to receive aggregate severance payments equal to twelve months of his base salary. The agreement provides that any severance payments would be paid in installments over the course of the severance. The agreement contains certain non-solicitation and non-competition provisions that continue after employment for a period of one year. The agreement also contains other customary restrictive and other covenants relating to the confidentiality of information, the ownership of inventions and other matters. On June 15, 2022, the Board approved an amendment to certain aspects of Mr. Mills' compensation as further described below.

Will Logan Employment Agreement

The Company employed Will Logan as its Chief Financial Officer until his resignation effective January 31, 2025. Mr. Logan and the Company entered into an employment agreement on November 12, 2021. The employment agreement was effective for a one-year term, which automatically renewed for additional one-year periods through Mr. Logan's resignation. The agreement provided for an initial annual base salary of \$249,000 subject to annual increases but generally not subject to decreases. In accordance with the employment agreement, Mr. Logan's annual base salary was automatically adjusted upon the closing of the Merger to \$350,000, subject to annual increases but not generally subject to decreases, and Mr. Logan received a \$75,000 cash bonus upon the closing of the Merger. Under the agreement, Mr. Logan was eligible to participate in performance-based cash bonus or equity award plans for Company senior executives. Mr. Logan participated in Company employee benefit plans, policies, programs, perquisites, and arrangements to the extent he met applicable eligibility requirements. In the event of a termination of employment for good reason, as defined, without cause, as defined, or within 12 months following a change in control, as defined, other than for reason of death, disability or for cause, Mr. Logan would have been entitled to receive aggregate severance payments equal to six months of his base salary. The agreement provided that any severance payments would be paid in installments over the course of the severance. The agreement contains certain non-solicitation and non-competition provisions that continue after employment for a period of one year. The agreement also contains other customary restrictive and other covenants relating to the confidentiality of information, the ownership of inventions and other matters. On June 15, 2022, the Board approved an amendment to certain aspects of Mr. Logan's compensation as described below.

Outstanding Equity Awards at Fiscal Year-End

The following table sets forth certain information concerning outstanding stock options and restricted stock awards held by our named executive officers as of December 31, 2024:

Name	Option Awards(a)				Stock Awards	
	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Non-Exercisable	Option Exercise Price (\$)	Option Expiration Date	Number of shares or units of stock that has not vested (#)	Market value of shares or units of stock that have not vested (\$)
Richard Mills	160,000(a)	—(a)	7.59	6/1/2030	—	—
	160,000(b)	—(b)	7.59	6/1/2030	—	—
	—(c)	333,334(c)	3.00	6/15/2032	—	—
Will Logan	6,389(d)	—(d)	26.10	11/6/2027	—	—
	5,556(e)	—(e)	22.50	9/20/2028	—	—
	80,000(a)	—(a)	7.59	6/1/2030	—	—
	80,000(b)	—(b)	7.59	6/1/2030	—	—
	—(c)	200,000(c)	3.00	6/15/2032	—	—

(a) These stock options vested in three equal installments on June 1 annually, beginning in 2021 and ending in 2023.

(b) These stock options (the “Performance Options”) become vested in increments of 16.67 percent of the total shares purchasable under this issuance subject to satisfying Company revenue target and earnings before interest, taxes, depreciation and amortization (“EBITDA”) target for the applicable year. In each of calendar years 2020, 2021 and 2022, one-third of the total shares may vest (if the revenue and EBITDA targets are met), and the shares that are subject to vesting each year are allocated equally to each of the revenue and EBITDA targets for such year, with each target and vesting being independently achieved without regard for the other. These Performance Options include a catch-up provision, where any options that did not vest during a prior year due to the Company’s failure to meet a prior revenue or EBITDA target may vest in a subsequent vesting year if the revenue or EBITDA target, as applicable, is met in the future year. The revenue and EBITDA targets for the subject years are as follows:

Calendar Year	Revenue Target (millions)	EBITDA Target (millions)
2022	\$ 35	\$ 3.1
2023	\$ 38	\$ 3.5

The executives met the foregoing EBITDA target for calendar year 2021.

On June 15, 2022, the Board approved of an amendment to the Performance Options to provide that the revenue target for the calendar year 2022 set forth therein (\$38 million) is eliminated, and the remaining shares that are available for vesting under the Performance Options (106,667 unvested shares for Mr. Mills and 53,334 for Mr. Logan) (including the unvested portions of shares based on the satisfaction of the revenue targets for 2020 and 2021 by virtue of the catch-up provisions in the Performance Options) will fully vest upon the achievement of the updated EBITDA target for calendar year 2022 of \$3.6 million.

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

- (i) excludes any impact on EBITDA of:
 - (a) the accounting treatment (including any “mark-to-market accounting”) of the Company’s warrants or the “Guaranteed Consideration” (as defined in the Merger Agreement),
 - (b) non-recurring transaction expenses associated with the Merger and the capital raising financing activities of the Company to effectuate the Merger, and
 - (c) any write-down or write-off of any Company inventory of Safe Space Solutions products.
- (iii) includes deductions related to any cash or stock bonuses paid or payable to any employees of the Company for services provided in calendar year 2022 (even if such bonuses are actually paid after calendar year 2022), including bonuses paid pursuant to the terms of the 2022 Cash Bonus Plan (as described above) (collectively, the “EBITDA Calculations”).

The unvested portion of the Performance Options as of December 31, 2022 vested in full effective as of March 30, 2023 upon confirmation by the Board of Directors of achievement of the performance metrics for the year ended December 31, 2022.

- (c) Messrs. Mills and Logan received ten-year options to purchase 333,334 and 200,000 shares of common stock, respectively (the “New Options”). The New Options are eligible to vest at any time on or prior to the date on which the “Guaranteed Price” is agreed upon by the Company and RSI Exit Corporation, or finally determined in accordance with the terms of the Merger Agreement, if the trailing 10-trading day VWAP of the Company’s common stock, as reported on the Nasdaq Capital Market, exceeds the share price targets below, subject to such executive serving the Company as a director, officer, employee or consultant at such time:

Executive	Share Price Targets					Guaranteed Price	Total Shares
	\$ 6.00	\$ 9.00	\$ 12.00	\$ 15.00	\$ 18.00		
Mills’ Shares Vested	16,667	33,334	50,000	66,667	83,333	83,333	333,334
Logan’s Shares Vested	10,000	20,000	30,000	40,000	50,000	50,000	200,000
Percentage of Shares Vested	5%	10%	15%	20%	25%	25%	

- (d) These stock options become exercisable in increments of 25 percent of the total shares purchasable under this issuance on November 6 annually, beginning in 2018 and ending in 2021.
- (e) These stock options become exercisable in increments of 25 percent of the total shares purchasable under this issuance on September 20 annually, beginning in 2019 and ending in 2022.

Director Compensation

The Company’s Board of Directors had a director compensation plan to compensate non-officer directors as follows:

- Annual grant of shares of unrestricted common stock of the Company, issuable on November 17, 2021, 2022 and 2023, having an annual value of \$24,000, with the per-share price to be determined based upon the closing price of the Company’s common stock as reported on Nasdaq on such issuance date. No shares were issued on November 17, 2023 as the Company’s ability to issue shares under the 2014 Stock Incentive Plan expired.
- An option issuable to each non-executive director to purchase 60,000 shares of Company common stock (or in the case of Dennis McGill, prior Chairman of the Company Board, 75,000 shares), which vested in three equal installments on November 17, 2021, 2022 and 2023, subject to continuing service as a director as of such vesting date. The exercise price of such options is \$2.21, the closing price of the Company’s common stock as reported on Nasdaq on the date of adoption of such plan.

The table below sets forth the compensation paid to Company non-employee directors during 2024:

Director Compensation (table and footnotes in whole dollars)

Name	Fees earned or paid in cash \$(a)	Stock awards (\$)	Option awards (\$)	Non-equity incentive plan compensation (\$)	Nonqualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
David Bell	—	—	—	—	—	—	—
Donald A. Harris	—	—	—	—	—	—	—
Stephen Nesbit	—	—	—	—	—	—	—

(a) The Company is evaluating the terms by which its directors may be compensated for their services in 2024 and for subsequent years. As of the date of this Report, the Company has not adopted any plan for director compensation.

Pay Versus Performance

As required by Section 953(a) of the Dodd-Frank Wall Street Reform and Consumer Protection Act and Item 402(v) of Regulation S-K, we are providing the following information about the relationship between executive compensation actually paid to our Principal Executive Officer (“PEO”) and our Principal Financial Officer (“PFO”) and certain financial performance of the Company.

Pay Versus Performance

Year (a)	Summary Compensation Table Total for PEO(1) (\$) (b)	Compensation Actually Paid to PEO(2) (\$) (c)	Summary Compensation Table Total for Non-PEO NEO(3) (\$) (d)	Compensation Actually Paid to Non-PEO NEO(4) (\$) (e)	Value of Initial Fixed \$100 Investment Based On: Total Shareholder Return(5) (\$) (f)	Net Income(6) (in thousands) (\$) (g)
2024	450,000	438,154	400,000	392,893	63	(3,508)
2023	450,000	498,678	350,000	373,292	61	(2,937)
2022	797,163	80,977	613,834	230,168	45	1,876

- The dollar amounts reported in column (b) are the amounts of total compensation reported for Richard Mills (our Chief Executive Officer) for each corresponding year in the “Total” column of the Summary Compensation Table. Refer to “Executive Compensation—Summary Compensation Table.”
- The dollar amounts reported in column (c) represent the amounts of “compensation actually paid” to Mr. Mills, as computed in accordance with Item 402(v) of Regulation S-K. The dollar amounts do not reflect the actual amount of compensation earned by or paid to Mr. Mills during the applicable year. In accordance with the requirements of Item 402(v) of Regulation S-K, the following adjustments were made to Mr. Mills’ total compensation for each year to determine the compensation actually paid:

Year	Reported Summary Compensation Table Total for PEO (\$)	Reported Value of Equity Awards(a) (\$)	Equity Awards Adjustments(b) (\$)	Compensation Actually Paid to PEO (\$)
2024	450,000	—	(11,846)	438,154
2023	450,000	—	48,678	498,678
2022	797,163	253,119	(463,067)	80,977

- (a) The grant date fair value of equity awards represents the total of the amounts reported in the “Stock Awards” and “Option Awards” columns in the Summary Compensation Table for the applicable year.
- (b) The equity award adjustments for each applicable year include the addition (or subtraction, as applicable) of the following: (i) the year-end fair value of any equity awards granted in the applicable year that are outstanding and unvested as of the end of the year; (ii) the amount of change as of the end of the applicable year (from the end of the prior fiscal year) in fair value of any awards granted in prior years that are outstanding and unvested as of the end of the applicable year; (iii) for awards that are granted and vest in same applicable year, the fair value as of the vesting date; (iv) for awards granted in prior years that vest in the applicable year, the amount equal to the change as of the vesting date (from the end of the prior fiscal year) in fair value; (v) for awards granted in prior years that are determined to fail to meet the applicable vesting conditions during the applicable year, a deduction for the amount equal to the fair value at the end of the prior fiscal year; and (vi) the dollar value of any dividends or other earnings paid on stock or option awards in the applicable year prior to the vesting date that are not otherwise reflected in the fair value of such award or included in any other component of total compensation for the applicable year. The valuation assumptions used to calculate fair values did not materially differ from those disclosed at the time of grant. The amounts deducted or added in calculating the equity award adjustments are as follows:

Year	Year End Fair Value of Equity Awards (\$)	Year over Year Change in Fair Value of Outstanding and Unvested Equity Awards (\$)	Fair Value as of Vesting Date of Equity Awards Granted and Vested in the Year (\$)	Year over Year Change in Fair Value of Equity Awards Granted in Prior Years that Vested in the Year (\$)	Fair Value at the End of the Prior Year of Equity Awards that Failed to Meet Vesting Conditions in the Year (\$)	Fair Value of Dividends or other Earnings Paid on Stock or Option Awards not Otherwise Reflected in Fair Value or Total Compensation (\$)	Total Equity Award Adjustments (\$)
2024	—	(11,846)	—	—	—	—	(11,846)
2023	—	(10,465)	—	59,143	—	—	48,678
2022	22,311	(321,138)	—	(164,240)	—	—	(463,067)

- (3) The dollar amounts reported in column (d) represent the amounts reported for the NEO (excluding our PEO) in the “Total” column of the Summary Compensation Table in each applicable year. The NEO (excluding our PEO) included for purposes of calculating the amounts in each applicable year was Will Logan, our Chief Financial Officer as of the applicable time periods.
- (4) The dollar amounts reported in column (e) represent the amounts of “compensation actually paid” to the NEO (excluding our PEO), as computed in accordance with Item 402(v) of Regulation S-K. The dollar amounts do not reflect the actual average amount of compensation earned by or paid to the NEO (excluding our PEO) during the applicable year. In accordance with the requirements of Item 402(v) of Regulation S-K, the following adjustments were made to average total compensation for the NEO (excluding our PEO) for each year to determine the compensation actually paid, using the same methodology described above in Note (2):

Year	Reported Summary Compensation Table Total for Non-PEO NEO (\$)	Reported Value of Equity Awards(a) (\$)	Equity Awards Adjustments(b) (\$)	Compensation Actually Paid to Non-PEO NEO (\$)
2024	400,000	—	(7,107)	392,893
2023	350,000	—	23,292	373,292
2022	613,834	151,872	(231,794)	230,168

- (a) The grant date fair value of equity awards represents the total of the amounts reported in the “Stock Awards” and “Option Awards” columns in the Summary Compensation Table for the applicable year.
- (b) The equity award adjustments for each applicable year include the addition (or subtraction, as applicable) of the following: (i) the year-end fair value of any equity awards granted in the applicable year that are outstanding and unvested as of the end of the year; (ii) the amount of change as of the end of the applicable year (from the end of the prior fiscal year) in fair value of any awards granted in prior years that are outstanding and unvested as of the end of the applicable year; (iii) for awards that are granted and vest in same applicable year, the fair value as of the vesting date; (iv) for awards granted in prior years that vest in the applicable year, the amount equal to the change as of the vesting date (from the end of the prior fiscal year) in fair value; (v) for awards granted in prior years that are determined to fail to meet the applicable vesting conditions during the applicable year, a deduction for the amount equal to the fair value at the end of the prior fiscal year; and (vi) the dollar value of any dividends or other earnings paid on stock or option awards in the applicable year prior to the vesting date that are not otherwise reflected in the fair value of such award or included in any other component of total compensation for the applicable year. The valuation assumptions used to calculate fair values did not materially differ from those disclosed at the time of grant. The amounts deducted or added in calculating the equity award adjustments are as follows:

Year	Year End Fair Value of Equity Awards (\$)	Year Over Year Change in Fair Value of Outstanding and Unvested Equity Awards (\$)	Fair Value as of Vesting Date of Equity Awards Granted and Vested in the Year (\$)	Year over Year Change in Fair Value of Equity Awards Granted in Prior Years that Vested in the Year (\$)	Fair Value at the End of the Prior Year of Equity Awards that Failed to Meet Vesting Conditions in the Year (\$)	Value of Dividends or other Earnings Paid on Stock or Option Awards not Otherwise Reflected in Fair Value or Total Compensation (\$)	Total Equity Award Adjustments (\$)
2024	—	(7,107)	—	—	—	—	(7,107)
2023	—	(6,279)	—	29,571	—	—	23,292
2022	13,386	(160,905)	—	(84,275)	—	—	(231,794)

- (5) Cumulative total shareholder return (Cumulative TSR) is calculated by dividing the sum of the cumulative amount of dividends for the measurement period, assuming dividend reinvestment, and the difference between the Company’s share price at the end and the beginning of the measurement period by the Company’s share price at the beginning of the measurement period.
- (6) The dollar amounts reported represent the amount of net income reflected in the Company’s audited financial statements for the applicable year.

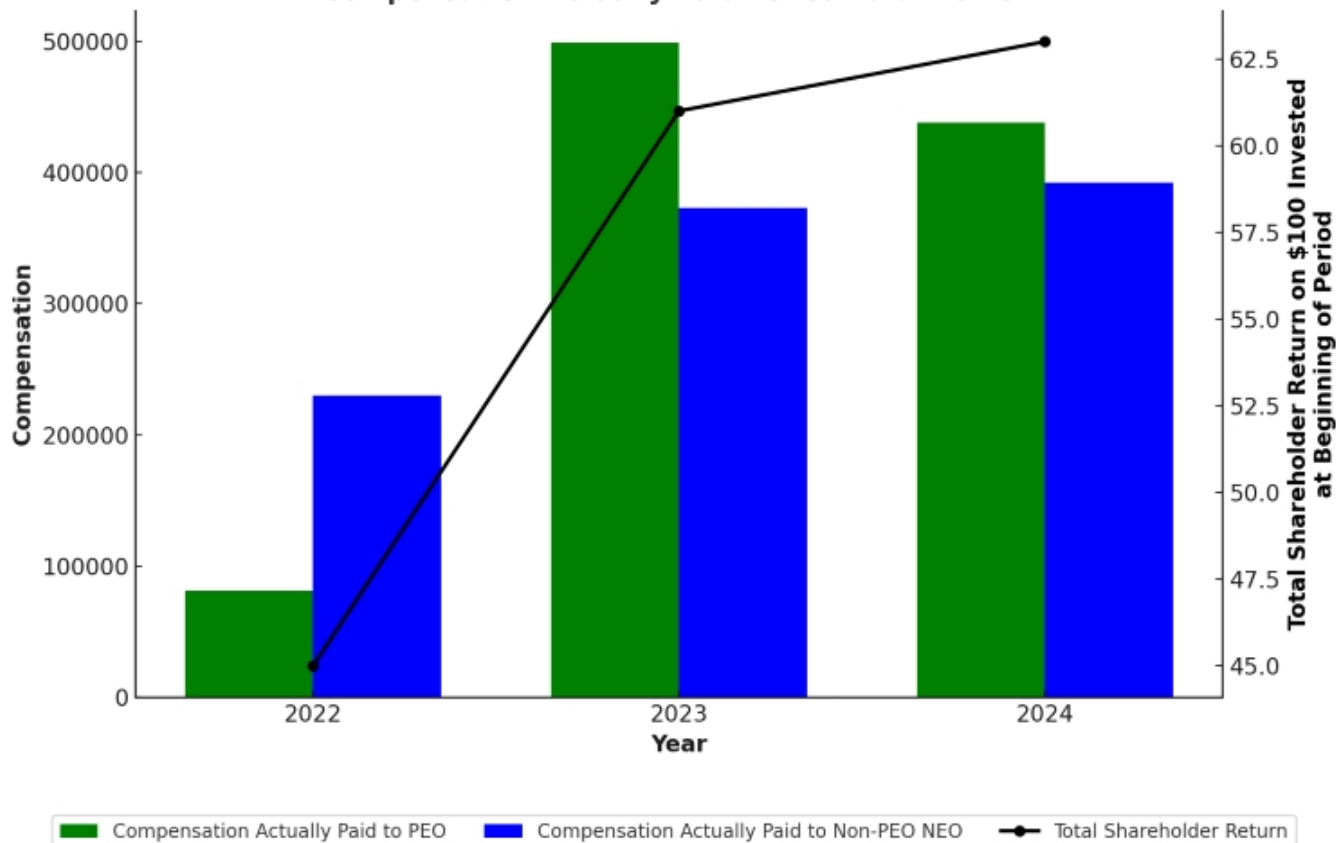
Analysis of the Information Presented in the Pay versus Performance Table

In accordance with Item 402(v) of Regulation S-K, we are providing the following descriptions of the relationships between information presented in the Pay Versus Performance table above.

Compensation Actually Paid and Cumulative TSR

The following graph sets forth the relationship between Compensation Actually Paid to our PEO, the Compensation Actually Paid to our Non-PEO NEO, and the Company's cumulative TSR over the three most recently completed fiscal years.

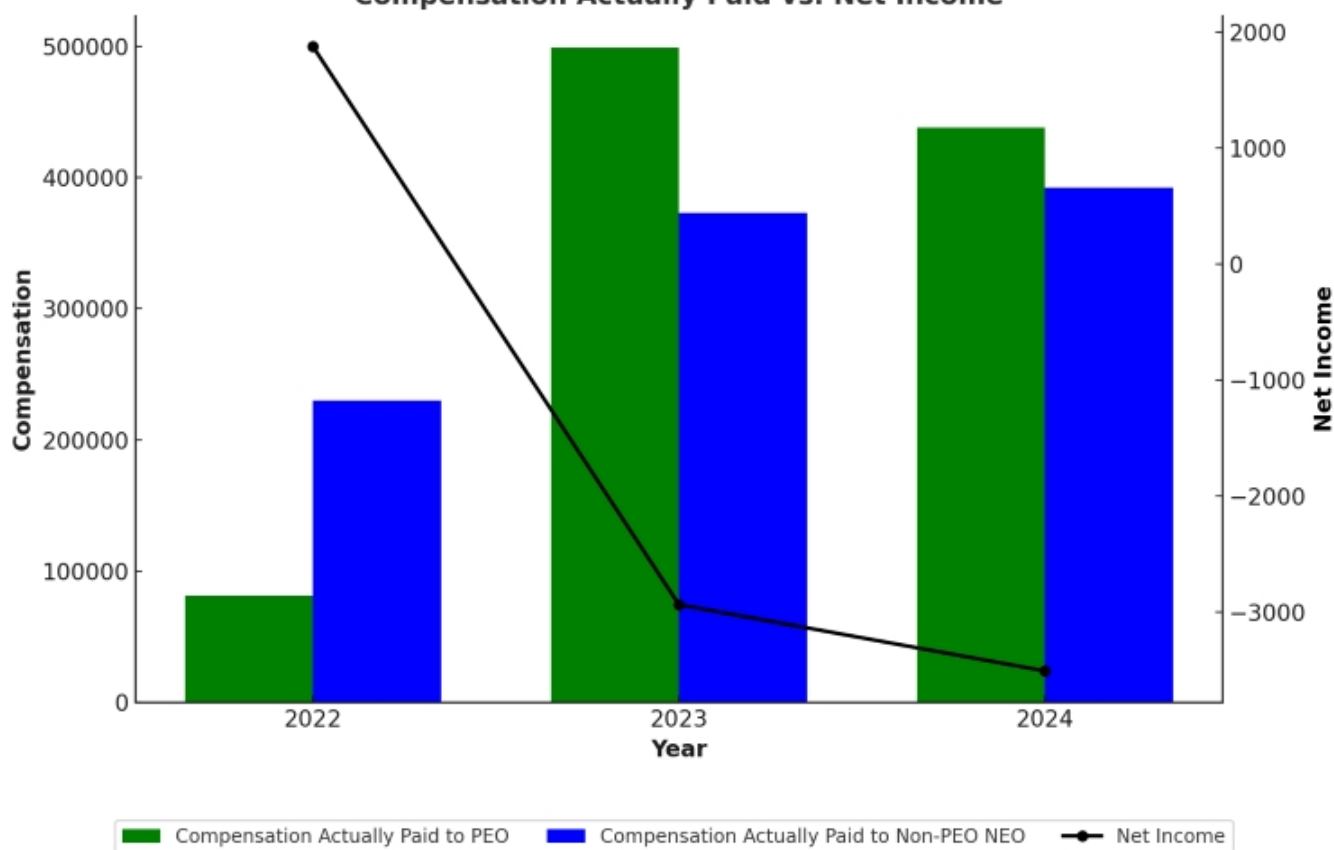
Compensation Actually Paid vs. Cumulative TSR



Compensation Actually Paid and Net Income

The following graph sets forth the relationship between Compensation Actually Paid to our PEO, the Compensation Actually Paid to our Non-PEO NEO, and the Company's net income over the three most recently completed fiscal years.

Compensation Actually Paid vs. Net Income



Policies and Practices for Granting Certain Equity Awards

While the granting of options and other equity awards to officers, directors and other employees is not expressly addressed in our Insider Trading Policy, we generally follow the same principles set forth in the Insider Trading Policy when granting equity awards, including options, to our officers, directors and other employees with access to material nonpublic information. Generally our Board of Directors or Compensation Committee does not approve grants of such awards during a blackout period and does not take material nonpublic information into account when determining the timing and terms of such an award. Further, we do not have a policy or practice of timing the disclosure of material nonpublic information for the purpose of affecting the value of executive compensation.

ITEM 12 SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The table below sets forth certain information with respect to beneficial ownership of our common stock as of March 14, 2025, on which date there were 10,446,659 shares of issued and outstanding common stock. The following table sets forth the number of common shares, and percentage of outstanding common shares, beneficially owned by:

- each director of the Company;
- each named executive officer;
- all current directors and officers of the Company as a group; and
- each person or entity known by the Company to beneficially own more than 5% of our common stock.

Unless otherwise indicated in the table or its footnotes, the address of each of the following persons or entities is 13100 Magisterial Drive, Suite 100, Louisville, KY 40223, and each such person has sole voting and investment power with respect to the shares set forth opposite his, her or its name.

Name and Address	Common Shares Beneficially Owned(1)	Percentage of Common Shares(1)
Slipstream Funding, LLC(2) c/o Pegasus Capital Advisors, L.P. 750 E Main St., Suite 600 Stamford, CT 06902	317,455	3.0%
Slipstream Communications, LLC(3) c/o Pegasus Capital Advisors, L.P. 750 E Main St., Suite 600 Stamford, CT 0690	3,156,985	25.9%
Stephen Nesbit(4)	79,564	0.8%
Donald A. Harris(5)	168,769	1.6%
David Bell(6)	50,897	0.5%
Richard Mills(7)	980,371	8.8%
Will Logan(8)	386,468	3.6%
David Ryan Mudd(9)	—	*
All current executive officers and directors as a group (5 persons)(10)	1,279,601	11.5%

(1) Beneficial ownership is determined in accordance with the rules of the SEC, and includes general voting power and/or investment power with respect to securities. Shares of common stock issuable upon exercise of options or warrants that are currently exercisable or exercisable within 60 days of March 14, 2025, and shares of common stock issuable upon conversion of other securities currently convertible or convertible within 60 days, are deemed outstanding for computing the beneficial ownership percentage of the person holding such securities but are not deemed outstanding for computing the beneficial ownership percentage of any other person. Under applicable SEC rules, each person's beneficial ownership is calculated by dividing the total number of shares with respect to which they possess beneficial ownership by 10,466,659, the total number of outstanding shares of the Company as of March 14, 2025. In any case where an individual has beneficial ownership over securities that are not outstanding, but are issuable upon the exercise of options or warrants or similar rights within the next 60 days, that same number of shares is added to the denominator in the calculation described above. Because the calculation of each person's beneficial ownership set forth in the "Percentage of Common Shares" column of the table may include shares that are not presently outstanding, the sum total of the percentages set forth in such column may exceed 100%.

(2) Investment and voting power over shares held by Slipstream Funding, LLC is held by Slipstream Communications, LLC, its sole member, and may be deemed to be directly or indirectly controlled by Craig Cogut, Chairman and Chief Executive Officer of Pegasus Capital Advisors, LLC. See table footnote 3 for further information regarding Slipstream Communications, LLC.

- (3) Investment and voting power over shares held by Slipstream Communications, LLC may be deemed to be directly or indirectly controlled by Craig Cogut, Chairman and Chief Executive Officer of Pegasus Capital Advisors, LLC. Slipstream Communications, LLC (“Slipstream Communications”) is the sole member of Slipstream Funding, LLC (“Slipstream Funding”). BCOM Holdings, LP (“BCOM Holdings”) is the managing member of Slipstream Communications. BCOM GP LLC (“BCOM GP”) is the general partner of BCOM Holdings. Business Services Holdings, LLC (“Business Services Holdings”) is the sole member of BCOM GP. PP IV BSH, LLC (“PP IV BSH”), Pegasus Investors IV, L.P. (“Pegasus Investors”) and Pegasus Partners IV (AIV), L.P. (“Pegasus Partners (AIV)”) are the members of Business Services Holdings. Pegasus Partners IV, L.P. (“Pegasus Partners”) is the sole member of PP IV BSH. Pegasus Investors IV, L.P. (“Pegasus Investors”) is the general partner of each of Pegasus Partners (AIV) and Pegasus Partners and Pegasus Investors IV GP, L.L.C. (“Pegasus Investors GP”) is the general partner of Pegasus Investors. Pegasus Investors GP is wholly owned by Pegasus Capital, LLC (“Pegasus Capital”). Pegasus Capital may be deemed to be directly or indirectly controlled by Craig Cogut. The share figure includes the 317,455 shares of common stock issued to and held by Slipstream Funding, LLC in connection with the merger transaction with Creative Realities, LLC. Share figure also includes 1,731,499 common shares purchasable upon exercise of outstanding warrants issued to and held by Slipstream Communications, LLC.
- (4) Mr. Nesbit is a director of the Company. Share figure includes 20,000 shares purchasable upon the exercise of outstanding options.
- (5) Mr. Harris is a director of the Company. Share figure includes 20,000 shares purchasable upon the exercise of outstanding options.
- (6) Mr. Bell is a director of the Company. Share figure includes 20,000 shares purchasable upon the exercise of outstanding options.
- (7) Mr. Mills is a director of the Company, Chairman of the Board and Chief Executive Officer. Share figure includes 320,000 shares purchasable upon the exercise of outstanding options and 333,334 shares purchasable upon the exercise of outstanding performance-restricted options upon which vesting requires achievement of certain targeted share trading prices.
- (8) Mr. Logan served as the Chief Financial Officer of the Company until January 31, 2025. Share figure includes 171,945 shares purchasable upon the exercise of outstanding options and 200,000 shares purchasable upon the exercise of outstanding performance-restricted options upon which vesting requires achievement of certain targeted share trading prices.
- (9) Mr. Mudd became the Interim Chief Financial Officer of the Company on February 1, 2025.
- (10) Includes Messrs. Mills, Bell, Harris, Nesbit and Mudd.

Securities Authorized for Issuance Under Equity Compensation Plans

The table below sets forth certain information, as of the close of business on December 31, 2024, regarding equity compensation plans (including individual compensation arrangements) under which our securities were then authorized for issuance.

	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Issuance Under Equity Compensation Plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	1,565,231 ⁽¹⁾	\$ 6.19	2,500,000 ⁽²⁾
Equity compensation plans not approved by stockholders	None	N/A	None

- (1) Shares reflected are issuable upon exercise of outstanding stock options issued under the 2014 Stock Incentive Plan. The Company’s ability to issue new awards under its 2014 Stock Incentive Plan expired in 2023.
- (2) On October 18, 2024, the Company’s shareholders approved the Company’s 2023 Stock Incentive Plan, which authorizes the issuance of up to 2,500,000 shares. No awards have been issued under the Plan as of December 31, 2024.

For information regarding the material features of each of the above plans see [Note 11 Stock-based Compensation](#) in our Consolidated Financial Statements included in this Report.

ITEM 13 CERTAIN RELATIONSHIPS AND RELATED-PARTY TRANSACTIONS, AND DIRECTOR INDEPENDENCE

(All currency in this Item 13 is rounded to the nearest thousand, except share and per share amounts.)

Merger Agreement

On February 17, 2025 and February 23, 2025, the parties to the Merger Agreement entered into the fourth and fifth amendments to the Merger Agreement, respectively, pursuant to which the commencement date of the 30-day period for which Reflect stockholders may seek payment of the Guaranteed Consideration was delayed from February 17, 2025 to February 24, 2025 and thereafter March 17, 2025.

The foregoing transactions were approved by our Board of Directors after full disclosure of any conflicts of interest. No directors had any conflicting interest in the transactions.

Independence

The Board of Directors has not created a separate committee for nomination or corporate governance. Instead, the entire Board of Directors shares the responsibility of identifying potential director-nominees to serve on the Board of Directors. Nevertheless, nominees to serve as directors on our Board of Directors are selected by those directors on our board who are independent.

The Board of Directors has determined that there are presently three “independent” directors, as such term is defined in Section 5605(a)(2) of the Nasdaq listing rules, each of whom also meets the criteria for independence set forth in Rule 10A-3(b)(1) under the Securities Exchange Act of 1934. The directors whom the board has determined to be independent are Messrs. Bell, Harris, and Nesbit.

ITEM 14 PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table presents fees (in thousands) for audit and other services provided by our principal accountant for 2023, Deloitte & Touche LLP (“Deloitte”), and by our principal accountant for 2024, Grant Thornton LLP (“Grant Thornton”).

	2024	2023
Audit fees(a)	\$ 399	\$ 743
Audit related fees	—	—
Tax fees	—	—
All other fees	—	—
	<u>\$ 399</u>	<u>\$ 743</u>

(a) Audit fees for 2024 and 2023 relate to professional services provided in connection with the audit of our consolidated financial statements, the reviews of our quarterly condensed consolidated financial statements, and audit services provided in connection with other regulatory filings.

Our Board of Directors pre-approved the audit services rendered by our principal accountant during 2024 and 2023 and concluded that such services were compatible with maintaining the auditor’s independence.

Pre-Approval Policies and Procedures of Audit Committee

All services provided by our current independent registered public accounting firm, Grant Thornton, are subject to pre-approval by our Audit Committee. The Audit Committee has authorized each of its members to approve services by our independent registered public accounting firm in the event there is a need for such approval prior to the next full Audit Committee meeting. Any interim approval given by an Audit Committee member must be reported to the Audit Committee no later than its next scheduled meeting. Before granting any approval, the Audit Committee (or a committee member if applicable) gives due consideration to whether approval of the proposed service will have a detrimental impact on the independence of our independent registered public accounting firm. The Audit Committee pre-approved all services provided by Deloitte during 2023, and provided by Grant Thornton during 2024.

PART IV

ITEM 15 EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

- (a) See “Index to Consolidated Financial Statements” on [page F-1](#).
- (b) See “Exhibit Index” on [page 50](#).
- (c) Not applicable.

EXHIBIT INDEX

Exhibit No.	Description
2.1	Agreement and Plan of Merger, dated as of November 12, 2021, by and between the registrant, CRI Acquisition Corporation, Reflect Systems, Inc., and RSI Exit Corporation (incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed on November 15, 2021)
2.2	Amendment to Agreement and Plan of Merger, dated as of February 8, 2022, by and among the registrant, CRI Acquisition Corporation, Reflect Systems, Inc., and RSI Exit Corporation (incorporated by reference to Exhibit 2.1 to the registrant's Current Report on Form 8-K filed February 9, 2022)
2.3	Second Amendment to Agreement and Plan of Merger dated as of February 11, 2023 by and among the registrant, Reflect Systems, Inc. and RSI Exit Corporation (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed February 15, 2023)
3.1	Articles of Incorporation, as amended (incorporated by reference to Exhibit 3.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the SEC on March 21, 2024)
3.2	Amended and Restated Bylaws (incorporated by reference to the registrant's Current Report on Form 8-K filed on November 2, 2011)
4.1	Specimen certificate evidencing shares of Common Stock (incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form SB-2 (File No. 333-136972))
4.2	Description of Securities (incorporated by reference to Exhibit 4.2 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the SEC on March 21, 2024)
4.3	Warrant dated January 16, 2018, issued in favor of Slipstream Communications, LLC (incorporated by reference to the registrant's Form S-1 filed with the SEC on June 25, 2018)
4.4	Warrant to Purchase Common Stock issued to Slipstream Communications, LLC on April 27, 2018 (incorporated by reference to Exhibit 10.31 of the registrant's Form S-1 filed with the SEC on June 25, 2018)
4.5	Investor Warrant dated June 30, 2022 (incorporated by reference to Exhibit 10.2 of the registrant's Current Report on Form 8-K filed July 7, 2022)
4.6	Lender Warrant dated June 30, 2022 (incorporated by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed July 7, 2022)
4.7	Investor Warrant dated June 30, 2022 (incorporated by reference to Exhibit 10.3 of the registrant's Current Report on Form 8-K filed July 7, 2022)
4.8	Lender Warrant dated October 17, 2024 (incorporated by reference to the registrant's Registration Statement on Form S-3 filed with the SEC on October 17, 2024)
10.1+	Employment Agreement dated as of November 12, 2021 by and between the registrant and Rick Mills (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed November 15, 2021)
10.2+	Employment Agreement dated as of November 12, 2021 by and between the registrant and Will Logan (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed November 15, 2021)
10.3	Second Amended and Restated Loan and Security Agreement by and among the registrant, its subsidiaries and Slipstream Communications, LLC (incorporated by reference to Exhibit 10.1 of the registrant's Current Report on Form 8-K filed February 18, 2022)

Exhibit No.	Description
10.4	First Amendment to Second Amended and Restated Loan and Security Agreement (incorporated by reference to Exhibit 10.4 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on November 14, 2022)
10.5	\$10,000,000 Acquisition Term Note (incorporated by reference to Exhibit 10.2 of the registrant's Current Report on Form 8-K filed February 18, 2022)
10.6	\$7,185,319.06 Consolidation Term Note (incorporated by reference to Exhibit 10.3 of the registrant's Current Report on Form 8-K filed February 18, 2022)
10.7	Note and Security Agreement (incorporated by reference to Exhibit 10.4 of the registrant's Current Report on Form 8-K filed February 18, 2022)
10.8	First Amendment to Note and Security Agreement (incorporated by reference to Exhibit 10.2 of the registrant's Current Report on Form 8-K filed February 15, 2023)
10.9+	2014 Stock Incentive Plan, as amended (incorporated by reference to Exhibit A to the registrant's definitive proxy statement on Schedule 14A filed with the SEC on June 12, 2020)
10.10*+	2023 Stock Incentive Plan, as amended
10.11+	Amendment to Stock Option Agreement dated June 15, 2022 between the Company and Rick Mills (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on June 17, 2022)
10.12+	Amendment to Stock Option Agreement dated June 15, 2022 between the Company and Will Logan (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on June 17, 2022)
10.13+	Stock Option Agreement dated June 15, 2022 between the Company and Rick Mills (incorporated by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed with the SEC on June 17, 2022)
10.14+	Stock Option Agreement dated June 15, 2022 between the Company and Will Logan (incorporated by reference to Exhibit 10.4 to the registrant's Current Report on Form 8-K filed with the SEC on June 17, 2022)
10.15	Credit Agreement dated May 23, 2024 by and among Creative Realities, Inc., First Merchants Bank and other parties thereto (incorporated by reference to Exhibit 10.1 to the registrant's Current Report on Form 8-K filed with the SEC on May 28, 2024)
10.16	\$22,100,000 Revolving Credit Note dated May 23, 2024 (incorporated by reference to Exhibit 10.2 to the registrant's Current Report on Form 8-K filed with the SEC on May 28, 2024)
10.17	Security Agreement dated May 23, 2024 by and among Creative Realities, Inc., First Merchants Bank and other parties thereto (incorporated by reference to Exhibit 10.3 to the registrant's Current Report on Form 8-K filed with the SEC on May 28, 2024)
10.18	Guaranty dated May 23, 2024 by Creative Realities Canada, Inc. in favor of First Merchants Bank (incorporated by reference to Exhibit 10.4 to the registrant's Current Report on Form 8-K filed with the SEC on May 28, 2024)
10.19	Security Agreement dated May 23, 2024 granted by Creative Realities Canada, Inc. in favor of First Merchants Bank (incorporated by reference to Exhibit 10.5 to the registrant's Current Report on Form 8-K filed with the SEC on May 28, 2024)
10.20	Form of Indemnification Agreement (incorporated by reference to Exhibit 10.6 to the registrant's Quarterly Report on Form 10-Q filed with the SEC on August 14, 2024)
14.1	Code of Business Conduct and Ethics (incorporated by reference to Exhibit 14.1 of the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2018)

Exhibit No.	Description
19.1	Insider Trading Policy (incorporated by reference to Exhibit 19.1 to the Registrant's Annual Report on Form 10-K for the fiscal year ended December 31, 2023 filed with the SEC on March 21, 2024)
21.1*	List of Subsidiaries
23.1*	Consent of Grant Thornton LLP
23.2*	Consent of Deloitte & Touche LLP
31.1*	Chief Executive Officer Certification pursuant to Exchange Act Rule 13a-14(a)
31.2*	Chief Financial Officer Certification pursuant to Exchange Act Rule 13a-14(a)
32.1*	Chief Executive Officer Certification pursuant to 18 U.S.C. Section 1350
32.2*	Chief Financial Officer Certification pursuant to 18 U.S.C. Section 1350
97.1*	Clawback Policy
99.1*	Press Release dated March 14, 2025
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104*	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith

+ Compensatory Plan or arrangement required to be filed pursuant to Item 15(b) of Form 10-K.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

March 14, 2025.

Creative Realities, Inc.

By /s/ Richard Mills
Richard Mills
Chief Executive Officer

By /s/ David Ryan Mudd
David Ryan Mudd
Interim Chief Financial Officer

In accordance with the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

Signature	Title	Date
<u>/s/ Richard Mills</u> Richard Mills	Chief Executive Officer (Principal Executive Officer) and Chairman of the Board of Directors	March 14, 2025
<u>/s/ David Ryan Mudd</u> David Ryan Mudd	Interim Chief Financial Officer (Principal Financial and Principal Accounting Officer)	March 14, 2025
<u>/s/ David Bell</u> David Bell	Director	March 14, 2025
<u>/s/ Donald Harris</u> Donald Harris	Director	March 14, 2025
<u>/s/ Steve Nesbit</u> Steve Nesbit	Director	March 14, 2025

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders

Creative Realities, Inc.

Opinion on the financial statements

We have audited the accompanying consolidated balance sheet of Creative Realities, Inc. (a Minnesota corporation) and subsidiaries (the “Company”) as of December 31, 2024, the related consolidated statements of operations, shareholders’ equity, and cash flows for the year ended December 31, 2024, and the related notes (collectively referred to as the “consolidated financial statements”). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2024, and the results of its operations and its cash flows for the year ended December 31, 2024, in conformity with accounting principles generally accepted in the United States of America.

Going concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company is experiencing difficulty in generating sufficient cash flow to service its contingent consideration obligations, which raises substantial doubt about its ability to continue as a going concern. These conditions, along with other matters as set forth in Note 1, raise substantial doubt about the Company’s ability to continue as a going concern. Management’s plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for opinion

These consolidated financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Critical audit matter

Critical audit matters are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. We determined that there are no critical audit matters.

We have served as the Company’s auditor since 2024.

/s/ Grant Thornton LLP
Cincinnati, Ohio
March 14, 2025

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Creative Realities, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of Creative Realities, Inc. and subsidiaries (the "Company") as of December 31, 2023, the related consolidated statements of operations, shareholders' equity, and cash flows, for the year ended December 31, 2023, and the related notes to the financial statements (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023, and the results of its operations and its cash flows for the year ended December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

Going Concern

The 2023 financial statements of the Company were prepared assuming that the Company would continue as a going concern. As of the date of issuance of the Company's 2023 financial statements, the Company was experiencing difficulty in generating sufficient cash flow to service its debt and contingent consideration obligations, which raised substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters were also described in the 2023 financial statements. The 2023 financial statements did not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP
Louisville, Kentucky
March 21, 2024

We began serving as the Company's auditor in 2020. In 2024 we became the predecessor auditor.

CREATIVE REALITIES, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	December 31, 2024	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,037	\$ 2,910
Accounts receivable, net	10,605	12,468
Inventories, net	1,995	2,567
Prepaid expenses and other current assets	859	665
Total Current Assets	14,496	18,610
Property and equipment, net	321	499
Goodwill	26,453	26,453
Other intangible assets, net	22,841	24,062
Operating lease right-of-use assets	787	1,041
Other non-current assets	312	112
Total Assets	\$ 65,210	\$ 70,777
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 6,354	\$ 7,876
Accrued expenses and other current liabilities	3,210	3,761
Deferred revenues	1,137	1,132
Customer deposits	2,181	3,233
Current maturities of operating leases	466	505
Short-term portion of related party term debt	-	3,690
Short-term contingent consideration, at fair value	12,815	-
Total Current Liabilities	26,163	20,197
Revolving credit facility	13,044	-
Long-term related party term debt	-	9,829
Long-term obligations under operating leases	342	536
Long-term contingent consideration, at fair value	-	11,208
Other non-current liabilities	201	176
Total Liabilities	39,750	41,946
Shareholders' Equity		
Common stock, \$0.01 par value, 66,666 shares authorized; 10,447 and 10,409 shares issued and outstanding, respectively	104	104
Additional paid in capital	82,210	82,073
Accumulated deficit	(56,854)	(53,346)
Total Shareholders' Equity	25,460	28,831
Total Liabilities and Shareholders' Equity	\$ 65,210	\$ 70,777

See accompanying Notes to Consolidated Financial Statements.

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

	For the Years Ended December 31,	
	2024	2023
Sales		
Hardware	\$ 18,259	\$ 20,303
Services and other	32,595	24,863
Total sales	50,854	45,166
Cost of sales		
Hardware	13,521	15,280
Services and other	13,322	7,703
Total cost of sales	26,843	22,983
Gross profit	24,011	22,183
Operating expenses:		
Sales and marketing	6,015	5,247
General and administrative	17,058	15,590
Total operating expenses	23,073	20,837
Operating income	938	1,346
Other expense (income):		
Interest expense, including amortization of debt discount	1,775	2,992
Loss on change in fair value of contingent consideration	1,608	1,419
Loss on debt extinguishment	1,059	-
Other expenses (income), net	(102)	(211)
Total other expense (income)	4,340	4,200
Net loss before income taxes	(3,402)	(2,854)
Income tax expense	(106)	(83)
Net loss	\$ (3,508)	\$ (2,937)
Net loss per common share - basic	\$ (0.34)	\$ (0.35)
Net loss per common share - diluted	\$ (0.34)	\$ (0.35)
Weighted average shares outstanding - basic	10,440	8,479
Weighted average shares outstanding - diluted	10,440	8,479

See accompanying Notes to Consolidated Financial Statements.

CREATIVE REALITIES, INC.
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
For the years ended December 31, 2024 and 2023
(in thousands, except shares)

<i>Year ended December 31, 2024</i>	<u>Common Stock</u>		<u>Additional paid in capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance as of December 31, 2023	10,409,027	\$ 104	\$ 82,073	\$ (53,346)	\$ 28,831
Stock-based compensation	-	-	13	-	13
Shares issued to employees pursuant to the Retention Bonus Plan	37,632	-	124	-	124
Net loss	-	-	-	(3,508)	(3,508)
Balance as of December 31, 2024	<u>10,446,659</u>	<u>\$ 104</u>	<u>\$ 82,210</u>	<u>\$ (56,854)</u>	<u>\$ 25,460</u>

<i>Year ended December 31, 2023</i>	<u>Common Stock</u>		<u>Additional paid in capital</u>	<u>Accumulated Deficit</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>			
Balance as of December 31, 2022	7,266,382	\$ 72	\$ 75,916	\$ (50,409)	\$ 25,579
Stock-based compensation	-	-	445	-	445
Shares issued to directors as compensation	51,616	1	95	-	96
Shares issued to vendors as compensation	28,554	-	55	-	55
Shares issued to employees pursuant to the Retention Bonus Plan	62,475	1	138	-	139
Issuance of common stock, net	3,000,000	30	5,424	-	5,454
Net loss	-	-	-	(2,937)	(2,937)
Balance as of December 31, 2023	<u>10,409,027</u>	<u>\$ 104</u>	<u>\$ 82,073</u>	<u>\$ (53,346)</u>	<u>\$ 28,831</u>

See accompanying Notes to Consolidated Financial Statements.

CREATIVE REALITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	For the Years Ended December 31,	
	2024	2023
Operating Activities:		
Net loss	\$ (3,508)	\$ (2,937)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,078	3,221
Amortization of debt discount	569	1,443
Amortization of stock-based compensation	13	563
Amortization of deferred financing costs	63	-
Loss on extinguishment of debt	1,059	-
Bad debt expense	13	153
Provision for inventory reserves	(43)	109
Loss on change in fair value of contingent consideration	1,608	1,419
Deferred income taxes	61	44
Changes to operating assets and liabilities:		
Accounts receivable	1,850	(4,358)
Inventories	615	(409)
Prepaid expenses and other current assets	(194)	952
Accounts payable	(1,388)	4,486
Accrued expenses and other current liabilities	(395)	(47)
Deferred revenue	5	(91)
Customer deposits	(1,052)	755
Other, net	27	(136)
Net cash provided by operating activities	3,381	5,167
Investing activities		
Purchases of property and equipment	(11)	(306)
Capitalization of labor for software development	(2,790)	(3,721)
Net cash used in investing activities	(2,801)	(4,027)
Financing activities		
Proceeds from sale of common stock, net of offering expenses	-	5,454
Proceeds from borrowings under revolving credit facility	31,459	-
Repayment of borrowings under revolving credit facility	(18,415)	-
Payment of deferred financings costs	(306)	-
Repayment of term debt	(15,147)	(5,294)
Principal payments on finance leases	(44)	(23)
Net cash (used in) provided by financing activities	(2,453)	137
Increase (decrease) in Cash and Cash Equivalents	(1,873)	1,277
Cash and Cash Equivalents, beginning of year	2,910	1,633
Cash and Cash Equivalents, end of year	\$ 1,037	\$ 2,910

See accompanying Notes to Consolidated Financial Statements.

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

NOTE 1: NATURE OF ORGANIZATION AND OPERATIONS

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

Nature of the Company’s Business

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

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

Public Offering

On August 17, 2023, the Company conducted a public offering for the sale by the Company of an aggregate of 3,000,000 shares of common stock, par value \$0.01 per share at a public offering price of \$2.00 per share and received approximately \$5,454 in net proceeds, after deducting underwriting fees of \$478 and offering costs of \$68.

Reverse stock split

On March 27, 2023, the Company effected a 1-for-3 stock split of the shares of the Company’s common stock, par value \$0.01 per share.

As a result of the reverse stock split, effective 12:01 am on March 27, 2023, every three shares of common stock then-issued and outstanding automatically combined into one share of common stock, with no change in par value per share. All fractional shares resulting from the reverse split were rounded up to the nearest whole share of common stock. In connection with the reverse stock split, the total number of shares of common stock authorized for issuance was reduced from 200,000,000 shares to 66,666,666 shares in proportion to the outstanding shares of common stock.

Effective as of the same time as the reverse stock split, the number of shares of common stock available for issuance under the Company’s equity compensation plans were reduced in proportion to the reverse stock split. The reverse stock split also resulted in the number of shares of common stock issuable upon exercise of outstanding warrants, or the exercise or vesting of equity awards, in proportion to the reverse stock split and caused a proportionate increase in exercise price or share-based performance criteria, where applicable.

Liquidity and Financial Condition

In accordance with Accounting Standards Update (“ASU”) No. 2014-15, *Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern (Subtopic 205-40)* (“ASU 205-40”), the Company has evaluated whether there are certain conditions and events, considered in the aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date that the Consolidated Financial Statements are issued.

At December 31, 2024, the Company has an accumulated deficit of \$56,854, and negative working capital of \$11,667. For the year ended December 31, 2024, the Company generated operating income of \$938 and generated positive net cash flows from operations of \$3,381. The Company's contingent consideration obligation was dependent upon the market value of the Company's share price at February 17, 2025, and contractually must be settled in cash. The estimated liability for financial statement accounting purposes is \$12,815 as of December 31, 2024. While the Company is currently generating cash from operations and refinanced its debt in 2024, the Credit Agreement (as defined in [Note 7 Debt](#) below) limits, via specific reserve, utilization of the Company's line of credit to no more than \$4,000 (or such lesser amount determined by the lender in its sole and absolute discretion) for payments to satisfy the contingent consideration obligation. Should the contingent consideration require a cash payment in excess of the specific reserve, the Company may not have sufficient liquidity to settle this obligation without (i) receipt of a waiver under the Credit Agreement, (ii) an amendment to the Credit Agreement to permit additional funds from the line of credit to be used for payment of the contingent consideration obligation, (iii) raising additional capital on the capital markets, the proceeds of which would be used, in whole or in part, to satisfy the contingent consideration obligation, or (iv) a reduction in the amount of the contingent consideration obligation. The conditions and events raise substantial doubt about the Company's ability to continue as a going concern under the technical framework within ASU 205-40.

In response to these conditions, the Company continues to evaluate its available options for amending its debt facilities or accessing the capital markets via equity financing. However, these plans have not been finalized, are subject to market conditions, in some respects are not within the Company's control, and therefore cannot be deemed probable. As a result, the Company has concluded that management's plans do not alleviate substantial doubt about the Company's ability to continue as a going concern.

The Consolidated Financial Statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of this uncertainty.

Subsequent events

The Company has evaluated subsequent events occurring after the balance sheet date through the date the Consolidated Financial Statements were issued and has determined that there were no such events that would require recognition or disclosure in the financial statements.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Basis of Presentation

The accompanying Consolidated Financial Statements have been prepared in accordance with the instructions to Form 10-K and Article 8 of Regulation S-X and include all of the information and disclosures required by generally accepted accounting principles in the United States of America ("GAAP") for annual financial reporting.

The Consolidated Financial Statements include the accounts of Creative Realities, Inc. and our wholly owned subsidiaries Allure, CRI Canada, and Reflect. All intercompany balances and transactions have been eliminated in consolidation, as applicable. Certain amounts have been reclassified to conform to current period presentation.

2. Recently Issued and Adopted Accounting Pronouncements

In November 2023, the Financial Accounting Standards Board ("FASB") issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which requires public entities to disclose information about their reportable segments' significant expenses and other segment items on an interim and annual basis. Public entities with a single reportable segment are required to apply the disclosure requirements in ASU 2023-07, as well as all existing segment disclosures and reconciliation requirements in ASC 280 on an interim and annual basis. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and for interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company adopted the new standard for the fiscal year ending December 31, 2024. See [Note 12 Segment Reporting](#) for new required disclosures.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires public entities, on an annual basis, to provide disclosure of specific categories in the rate reconciliation, as well as disclosure of income taxes paid disaggregated by jurisdiction. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024, with early adoption permitted. The Company is currently evaluating the impact of adopting ASU 2023-09.

3. Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit in financial institutions, in both the United States and Canada. The Company does not hold any investments that qualify as cash equivalents as of December 31, 2024. As of December 31, 2024, the Company had approximately \$981 in cash that was held in a Canadian financial institution. The Company does not believe the balance presents a material concentration of credit risk, as the cash is held with a reputable financial institution.

4. Revenue Recognition

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

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

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

Revenue is recognized when a customer obtains control of promised goods or services under the terms of a contract and is measured as the amount of consideration the Company expects to receive in exchange for transferring goods or providing services. The Company has very few contracts with material extended payment terms as payment is typically due at or shortly after the time of the sale, typically ranging between thirty and ninety days. In those instances where the Company has material extended payment terms (most commonly in multi-year arrangements where the Company acts as an agent to a transaction on behalf of its customers), the Company evaluates and applies constraints to arrive at the revenue recognized in the period in which a contract is entered. Observable prices are used to determine the standalone selling price of separate performance obligations or a cost plus margin approach when one is not available. Sales, value-added and other taxes collected concurrently with revenue producing activities are excluded from revenue.

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

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

5. Allowance for Credit Losses

The allowance for credit losses is the Company's best estimate of the amount of expected lifetime credit losses in the Company's accounts receivable. The Company regularly reviews the adequacy of its allowance for credit losses. The Company estimates losses over the contractual life using assumptions to capture the risk of loss, even if remote, based principally on how long a receivable has been outstanding. Account balances are charged off against the allowance for credit losses after all reasonable means of collection have been exhausted and the potential for recovery is considered remote. Other factors considered include historical write-off experience, current economic conditions, customer credit, and past transaction history with the customer. The allowance for credit losses is included in accounts receivable, net in the accompanying Consolidated Balance Sheets.

The Company had the following activity for its allowance for credit losses from December 31, 2022 to December 31, 2024:

Balance as of December 31, 2022	\$	984
Provision for credit losses		153
Write-offs charged against the allowance		(436)
Balance as of December 31, 2023	\$	701
Provision for credit losses		13
Recoveries		47
Write-offs charged against the allowance		(53)
Balance as of December 31, 2024	\$	<u>708</u>

6. Inventories

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

	December 31, 2024	December 31, 2023
Raw materials	\$ 1,465	\$ 2,063
Work-in-process	530	504
Total inventories	<u>\$ 1,995</u>	<u>\$ 2,567</u>

The reserve for obsolete inventory at December 31, 2024 and 2023 was \$112 and \$160, respectively.

7. Impairment of Long-Lived Assets

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

If the impairment tests indicate that the carrying value of the asset is greater than the expected undiscounted cash flows to be generated by such asset, an impairment loss would be recognized. The impairment loss is determined as the amount by which the carrying value of such asset exceeds its fair value. We generally measure fair value by considering sale prices for similar assets or by discounting estimated future cash flows from such assets using an appropriate discount rate. Assets to be disposed of are carried at the lower of their carrying value or fair value less costs to sell. Considerable management judgment is necessary to estimate the fair value of assets, and accordingly, actual results could vary significantly from such estimates.

8. Basic and Diluted Loss per Common Share

Basic and diluted loss income per common share for all periods presented is computed using the weighted average number of common shares outstanding. Basic weighted average shares outstanding includes only outstanding common shares. Diluted weighted average shares outstanding includes outstanding common shares and potential dilutive common shares outstanding in accordance with the treasury stock method. Shares reserved for outstanding stock options, including stock options with performance restricted vesting, and warrants totaling approximately 6,152,233 and 6,223,134 at December 31, 2024 and 2023, respectively were excluded from the computation of loss per share as the strike price on the options and warrants were higher than the Company's market price and therefore anti-dilutive.

9. Income Taxes

Deferred income taxes are recognized in the financial statements for the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts based on enacted tax laws and statutory tax rates. Temporary differences arise from a number of matters including, but not limited to, net operating losses, differences in basis of intangibles, stock-based compensation, reserves for uncollectible accounts receivable and inventory, differences in depreciation methods, and accrued expenses. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. The Company accounts for uncertain tax positions utilizing an established recognition threshold and measurement attributes for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We had no uncertain tax positions as of December 31, 2024 and 2023.

10. Goodwill and Definite-Lived Intangible Assets

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

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

11. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Our significant estimates include: contingent purchase consideration valuation, allowance for credit losses, valuation allowances related to deferred taxes, and assumptions and estimates used to evaluate the recoverability of goodwill and other intangible assets and the related amortization methods and periods. Actual results could differ from those estimates.

12. Property and Equipment

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

Property and equipment consist of the following at December 31, 2024 and 2023:

	December 31,	
	2024	2023
Equipment	\$ 277	\$ 334
Leasehold improvements	141	298
Furniture and fixtures	189	205
Other depreciable assets	78	135
Total property and equipment	685	972
Less: accumulated depreciation and amortization	(364)	(473)
Net property and equipment	\$ 321	\$ 499

The estimated useful lives used to compute depreciation and amortization are as follows:

Asset class	Useful life assigned (in years)
Equipment	3 – 5
Furniture and fixtures	3 – 5
Leasehold improvements	Shorter of 5 years or term of lease

Depreciation expense was \$201 and \$166 for the years ended December 31, 2024 and 2023, respectively. The Company disposed of certain fully depreciated fixed assets with an acquisition value of \$310 and \$150 for the years ended December 31, 2024 and 2023, respectively.

13. Contingent Consideration

On November 12, 2021, the Company, Reflect, CRI Acquisition Corporation, a direct wholly owned subsidiary of the Company (“CRI Acquisition”), and RSI Exit Corporation, representative of the former Reflect stockholders (“RSI”), entered into an Agreement and Plan of Merger (as amended, the “Merger Agreement”), pursuant to which CRI Acquisition merged with and into Reflect, with Reflect surviving the merger and becoming our wholly owned subsidiary (the “Merger”). At the effective time of the Merger, which occurred on February 17, 2022, all shares of Reflect’s capital were converted into the right to receive cash and a total of 2,333,334 shares of Creative Realities common stock (the “Merger Shares”). The Merger Agreement also requires the Company to pay to the former Reflect stockholders additional contingent cash payments (the “Guaranteed Consideration”), if any, payable on or after February 17, 2025 (subject to the Extension Option described below, the “Guarantee Date”), in an amount by which the value of the Merger Shares on the Guarantee Date is less than \$6.40 per share (such applicable amount, the “Guaranteed Price”), multiplied by the number of Merger Shares held by the Reflect stockholders on the Guarantee Date. On March 23, 2023, after the closing of the Merger, the Company completed a 1-for-3 reverse stock split (the “Reverse Split”) primarily intended to bring the Company into compliance with the minimum bid price requirements to maintain the listing of its common stock on the Nasdaq Capital Market. As a result of the Reverse Split, the number of Merger Shares decreased from 2,333,334 to 777,778. The Company and RSI have engaged in discussions regarding the impact that the Reverse Split had on the calculation of the Guaranteed Consideration, given that the Merger Agreement provides for a Guaranteed Price of \$6.40 per share and does not provide for any adjustment to the Guaranteed Price as a result of the Reverse Stock Split or other similar transaction with respect to the Company’s common stock. To date, the Company and RSI have not reached any agreement regarding the methodology for calculating Guaranteed Consideration under the plain terms of the Merger Agreement, and commencing March 17, 2025, former Reflect stockholders seeking payment of Guaranteed Consideration may submit written demands to the Company for a 30-day period.

The contingent liability associated with the Guaranteed Consideration is recorded in the Company’s Consolidated Balance Sheets at fair value and is remeasured at each reporting period in accordance with ASC 805-30-35-1 using a Monte Carlo simulation model.

For financial statement purposes, consistent with prior reporting periods since the Reverse Split, the Company has and continues to book a contingent liability as of December 31, 2024 related to the Guaranteed Consideration as though the Reverse Split increased the Guaranteed Price from \$6.40 per share to \$19.20 per share, thereby recording an estimated potential liability for contingent consideration, at fair value of \$12,815. The contingent liability, at fair value, as of December 31, 2024 related to the Guaranteed Consideration that would be calculated using a Guaranteed Price of \$6.40 per share would result in an estimated liability of \$3,017. The Company engaged an outside independent valuation firm to calculate the fair value of the Guaranteed Consideration at both the \$6.40 and \$19.20 Guaranteed Prices.

While we believe that the Merger Agreement provides no adjustment to the Guaranteed Price as a result of the Reverse Split, resulting in a lower amount of Guaranteed Consideration than the contingent liability reflected in our financial statements, no assurance can be provided that our interpretation of the Merger Agreement will ultimately be accepted by RSI and the former Reflect stockholders, or by any arbitrator or court that ultimately adjudicates the matter.

The Company may exercise an extension option (the “Extension Option”) to extend the Guarantee Date by six (6) months, from February 17, 2025 to August 17, 2025, if (i) the Extension Threshold Price is greater than or equal to 70% of the Guaranteed Price described above, and (ii) the Company provides written notice of its election to exercise the Extension Option no later than February 7, 2025. The “Extension Threshold Price” means the average closing price per share of Creative Realities common stock as reported on the Nasdaq Capital Market (or NYSE) in the fifteen (15) consecutive trading day period ending February 2, 2025. The Merger Agreement provides that if the Extension Threshold Price is less than 80% of the Guaranteed Price, then the Guaranteed Price will be increased by \$1.00 per share (which amount has not been adjusted as a result of the Reverse Split).

NOTE 3: FAIR VALUE MEASUREMENT

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

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

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

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

The Company previously recorded warrant liabilities that were measured at fair value on a recurring basis using a binomial option pricing model.

The calculation of the fair value of the contingent consideration contains inputs which are unobservable and involve management judgment and are considered Level 3 estimates. Additionally, the separately identifiable intangible assets rely on a discounted cash flow model which utilizes inputs including the calculation of the weighted average cost of capital and management's forecast of future financial performance which are unobservable and involve management judgment and are considered Level 3 estimates.

The calculation of the weighted average cost of capital and management's forecast of future financial performance utilized within our discounted cash flow model for the impairment of goodwill contains inputs which are unobservable and involve management judgment and are considered Level 3 estimates.

NOTE 4: REVENUE RECOGNITION

The Company applies ASC 606 for revenue recognition. The following table disaggregates the Company's revenue by major source for the years ended December 31, 2024 and 2023:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Hardware	\$ 18,259	\$ 20,303
Services:		
Managed Services	19,547	15,916
Installation Services	8,968	4,892
Other Services	4,080	4,055
Total Services	<u>32,595</u>	<u>24,863</u>
Total Hardware and Services	<u>\$ 50,854</u>	<u>\$ 45,166</u>

Hardware

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

Managed Services

Software as a service license sales

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

Maintenance and support services

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

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

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

Installation Services

The Company performs installation services associated with system hardware sales to customers and recognizes revenue upon completion of the installations. Installation services also include engineering and configuration services required to be performed to design and deploy a digital signage system that subsequently becomes an installation project.

When system hardware sales include installation services to be performed by the Company, the goods and services in the contract are, in certain instances, not distinct as the customer contract contemplates an installed solution, inclusive of system hardware. In those instances, the arrangement is accounted for as a single performance obligation. Our customers may control the work-in-process and can make changes to the design specifications over the contract term. In these circumstances, revenues are recognized over time as the installation services are completed based on the relative portion of labor hours completed as a percentage of the budgeted hours for the installation. Typically, in large scale deployments that include installation services, the contract terms segregate performance obligations related to hardware sales and installation services by providing for different legal transfer of title and risk of loss. In those circumstances, installation services are deemed to be a separate performance obligation. In each instance, installation services are recognized at the time of completion.

Other Services*Software design and development services*

Software design and custom development sales represent fixed fee orders for work on a time and materials basis and are recognized as revenue when the application, feature, or custom software code has been received and delivery has occurred to the customer. Revenue is recognized generally upon customer acceptance (point-in-time) of the software product and verification that it meets the required specifications. Software is delivered to customers electronically.

Media sales

Media revenues are derived from selling (i) promotion and sponsorship packages to monetize customer infrastructure assets, including mobile takeover or physical presence, or (ii) digital advertising inventory to advertisers on digital displays or other outdoor structures, owned or controlled by our customers, each within physical venues. We sell advertising or sponsorship opportunities on behalf of our media network owner customers to brands and advertisers. We generally do not own the devices that display the sold digital advertising. The Company has concluded that it acts as an agent and reports media revenues on a net basis, with the Company recording its commission, which typically is between thirty percent (30%) and forty percent (40%) of the total media sales contract, as revenue in the consolidated financial statements.

The media sales contracts we facilitate on behalf of our customers range from a single day to eight years. The Company invoices advertisers on behalf of our customers and remits the net cash to our customer after the advertiser has paid the Company the fees owed for such advertising. Media revenue services are recognized when the Company has completed its performance obligations under the contract with our customers, which typically has concluded upon facilitating execution of contracts between our customer and a brand/advertiser. The Company applies time-based constraints in accordance with ASC 606 to evaluate the earned portion of the contract to record at execution.

For revenues generated through the use of a subcontracted advertising agency, commissions are calculated based on a stated percentage of gross advertising revenue and reported in the Consolidated Statements of Operations within Sales and Marketing Expenses.

NOTE 5: SUPPLEMENTAL CASH FLOW STATEMENT INFORMATION

	Year Ended December 31,	
	2024	2023
Supplemental non-cash Investing and Financing activities		
Capitalized software labor in accounts payable	\$ 67	\$ 201
Supplemental disclosure information for cash flow		
Cash paid during the period for:		
Interest	\$ 1,195	\$ 1,685
Income taxes	\$ 52	\$ 78

NOTE 6: INTANGIBLE ASSETS AND GOODWILL
Intangible Assets

Intangible assets consisted of the following at December 31, 2024 and 2023:

	December 31, 2024		December 31, 2023	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Technology platform	\$ 7,140	3,041	\$ 6,900	2,255
Purchased and developed software	13,780	5,006	5,284	3,405
In-Process internally developed software platform	-	-	6,080	-
Customer relationships	13,910	4,350	13,910	3,054
Trademarks and trade names	1,260	852	1,260	660
Noncompete	-	-	30	28
Total amortizable intangible assets	36,090	13,249	33,464	9,402
Accumulated amortization	13,249		9,402	
Net book value of amortizable intangible assets	\$ 22,841		\$ 24,062	

For the years ended December 31, 2024 and 2023, amortization of intangible assets charged to operations was \$3,877 and \$3,055, respectively. For the year ended December 31, 2024, the Company wrote-off a \$30 fully amortized noncompete asset and the related accumulated amortization. For the year ended December 31, 2023, the Company wrote-off a \$340 fully amortized trade name asset, a \$1,090 fully amortized customer list asset, a \$2,864 fully amortized technology asset, a \$758 fully amortized capitalized software and the related accumulated amortization. There was no impact on the Company's Consolidated Balance Sheet or Consolidated Statement of Operations as a result of these write-offs during the period.

Estimated amortization is as follows:

Year ending December 31,	Estimated Future Amortization
2025	\$ 4,390
2026	3,757
2027	3,199
2028	2,889
2029	2,889
Thereafter	5,717
Total	\$ 22,841

Intangible assets include the following and are being amortized over their estimated useful lives as follows:

<i>Acquired Intangible Asset:</i>	<i>Amortization Period: (years)</i>
Technology platform and patents	3 - 10
Purchased and developed software	3 - 7
Trade names	5
Customer relationships	10 - 15

Goodwill

Goodwill represents the excess of the purchase price over the fair value of net assets acquired. Goodwill is subject to an impairment review at a reporting unit level, on an annual basis at September 30th each fiscal year, when an event occurs, or circumstances change that would indicate potential impairment. The Company has only one reporting unit, and therefore the entire goodwill is allocated to that reporting unit.

Using the quantitative approach, fair value of the reporting unit is estimated using both (1) a market approach, leveraging recent industry merger and acquisition activity as well as comparable public company information, and (2) a discounted cash flow analyses consisting of various assumptions, including expectations of future cash flows based on projections or forecasts derived from analysis of business prospects and economic or market trends that may occur. Specifically, the Company gives significant consideration to actual historic financial results, including revenue growth rates in the current and preceding three years, further informed by known backlog and customer acquisitions.

Using the qualitative approach, the Company reviews macroeconomic conditions, industry and market conditions and entity specific factors, including strategies and financial performance for potential indicators of impairment.

The Company performed its annual impairment of goodwill qualitatively in 2024, and quantitatively in 2023 to determine whether it is more likely than not that the fair value of our reporting unit is below its carrying amount. Based on the Company's assessment, we determined that the fair value of our reporting unit exceeded its carrying value, and accordingly, the goodwill associated with the reporting unit was not considered to be impaired at September 30, 2024 and 2023. No indicators of potential impairment were identified as of December 31, 2024. We believe our implied fair value continues to exceed our total carrying value as of December 31, 2024.

The Company recognizes that any changes in our projected 2025 results could potentially have a material impact on our assessment of goodwill impairment. The Company will continue to monitor the actual performance of its operations against expectations and assess indicators of possible impairment. The valuation of goodwill and intangible assets is subject to a high degree of judgment, uncertainty and complexity. Should any indicators of impairment occur in subsequent periods, the Company will be required to perform an analysis in order to determine whether goodwill is impaired.

NOTE 7: DEBT

Debt of the Company consists of the following:

Debt Instrument	Issuance Date	Maturity Date	December 31, 2024	December 31, 2023	Warrants	Interest Rate Information
Revolving Credit Facility	5/23/2024	5/23/2027	\$ 13,044	\$ -	None	See Below
Acquisition Term Loan	2/17/2022	2/15/2025	\$ -	\$ 10,000	833,334	8%
Consolidation Term Loan	2/17/2022	2/15/2025	-	5,147	898,165	10%
Total debt, gross			\$ 13,044	\$ 15,147		
Less: Deferred financing costs			243	1,628		
Total debt, net			\$ 12,801	\$ 13,519		
Less: Current portion			-	3,690		
Total long-term debt, net			\$ 12,801	\$ 9,829		

Secured Promissory Note

On February 17, 2022, in connection with the Closing, the Company issued to RSI Exit Corporation (“Stockholders’ Representative”), the representative of Reflect stockholders, a \$2,500 Note and Security Agreement (the “Secured Promissory Note”).

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

On February 11, 2023, the Company, Reflect and the Stockholders’ Representative, executed a Second Amendment to the Merger Agreement. The Second Amendment to the Merger Agreement provided that, among other things, the cash merger consideration payable in the Merger should be reduced by \$242, or the “Claim Amount,” subject to a reduction in the Claim Amount to the extent that Reflect or Creative Realities receive payments of certain accounts receivable of Reflect, up to \$27. An employer retention credit of \$242 (the “ERC”) based on the operations of Reflect pre-Merger remains outstanding and will be paid to the Stockholders’ Representative for the benefit of former Reflect stockholders upon receipt, subject to the offset rights of Creative Realities. In addition, the Company and the Stockholders’ Representative executed an amendment (the “Note Amendment”) to the Secured Promissory Note on February 11, 2023. The Note Amendment eliminated the balloon payment, extended the maturity date for a one-year period, to February 17, 2024. During the extended period, the Company continued to make monthly principal payments of \$104, and the annual interest rate on the outstanding principal increased from 0.59% to 4.60%, which accrued and is payable in full on the new maturity date.

On December 15, 2023, the Company paid \$110 as final settlement of the Secured Promissory Note, including accrued interest through the settlement date. All rights to payment of the ERC were retained by the Reflect stockholders as part of this settlement.

Second Amended and Restated Loan and Security Agreement

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

The Credit Agreement also provides that the Company’s outstanding loans from Slipstream at December 31, 2021, consisting of its pre-existing \$4,767 senior secured term loan and \$2,418 secured convertible loan, with an aggregate of \$7,185 in outstanding principal and accrued and unpaid interest under such loans, were consolidated into a term loan (the “Consolidation Term Loan”). The Consolidation Term Loan has an interest rate of 10.0%, with 75.0% warrant coverage (or 898,165 warrants). On the first day of each month, commencing March 1, 2022 through February 1, 2025, the Borrowers will make interest-only payments on the Consolidation Term Loan. Commencing on September 1, 2023, and on the first day of each month thereafter until the Maturity Date, the Borrowers will make a payment on the Consolidation Term Loan, in an equal monthly installment of principal sufficient to fully amortize the Consolidation Term Loan in eighteen equal installments.

In addition to refinancing the existing debt with Slipstream, the Company issued to Slipstream a \$10,000, 36-month senior secured term loan (the “Acquisition Term Loan”) resulting in \$10,000 in gross proceeds, or \$9,950 in net proceeds. The Acquisition Term Loan matured on February 17, 2025 (the “Maturity Date”) and had an interest rate of 8.0%, with 50.0% warrant coverage (or 833,334 warrants). On the first day of each month, commencing March 1, 2022 through February 1, 2025, the Borrowers were required to make interest-only payments on the Acquisition Term Loan. No principal payments on the Acquisition Term Loan were payable until the Maturity Date.

In connection with the Acquisition Term Loan and Consolidation Term Loan warrant coverage, the Company issued to Slipstream a warrant to purchase an aggregate of 1,731,499 shares of Company common stock (the “Lender Warrant”). The Lender Warrant has a five-year term, an initial exercise price of \$6.00 per share, subject to adjustments in the Lender Warrant, and was not exercisable until August 17, 2022. The warrants were assessed in accordance with ASC 470 and ASC 815 *Derivatives* and were deemed to represent bifurcated derivative instruments that should be recorded as liabilities in the Consolidated Balance Sheets. The Company performed a Black-Scholes valuation of the warrants as of the issuance date, resulting in a fair value of \$2.4387 per warrant. In recording the warrant liability, the Company recorded a debt discount associated with each of the Acquisition and Consolidation Term Loans in an amount of \$2,032 and \$2,190, respectively. These amounts are amortized straight-line through interest expense over the life of the loans.

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

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

On October 31, 2022, the Borrowers and Slipstream amended the Credit Agreement to provide the Borrowers with a \$2,000 term loan (“Term Loan (2022)”), the net proceeds of which were used by the Company to accelerate an active software development project with potential to expand SaaS revenues associated with an existing customer. The Term Loan (2022) had an annual interest rate of 12.5% and matured on September 1, 2023. Commencing on February 1, 2023, the Company made monthly installment payments of approximately \$270 until the maturity date, consisting of principal and interest sufficient to fully amortize the Term Loan (2022) through the maturity date. As of December 31, 2023, the Term Loan 2022 has been repaid in full to Slipstream.

Revolving credit facility

On May 23, 2024, the Company entered into a Credit Agreement (the "Credit Agreement") with First Merchants Bank (the "Bank"). The Credit Agreement provides the Company with a \$22,100 secured revolving credit facility, with an uncommitted accordion feature that provides for additional borrowing capacity of up to \$5,000, subject to the Bank's approval and other customary terms and conditions set forth in the Credit Agreement. The revolving credit facility matures on May 23, 2027, subject to any earlier default under the Credit Agreement. The Credit Agreement requires the Company to pay the entire unpaid principal balance of the revolving credit facility on the maturity date, subject to any earlier default under the Credit Agreement. The Credit Agreement includes, among other things, the occurrence of any event which could reasonably be anticipated to cause or result in a "Material Adverse Effect" (as defined in the Credit Agreement) as an event of default under which the outstanding balance could become due and payable to the Bank. The Company has determined that the risk of such event is not probable and therefore has classified the outstanding balance in long-term liabilities in the Consolidated Balance Sheets based on the maturity date. Obligations under the Credit Agreement are secured by all assets of the Company.

On May 23, 2024, the Company borrowed \$13,667 under the revolving credit facility to repay all obligations owing to its prior lender, Slipstream Communications, LLC, including the outstanding principal balance of \$10,000 on the Acquisition Term Loan, the outstanding principal balance of \$3,593 on the Consolidation Term Loan and accrued interest expense incurred through the payoff date of \$74. The Company recognized a \$1,059 loss on extinguishment of debt equal to the unamortized portion of debt discount at May 23, 2024 associated with the Acquisition Term Loan and Consolidation Term Loan.

The revolving credit facility accrues interest at a floating rate equal to the 1-month SOFR, plus 0.11%, plus a floating margin ranging from 2.00% to 3.50% that adjusts quarterly, depending upon the Company's Senior Funded Debt to EBITDA Ratio. The floating margin is determined as follows:

Senior Funded Debt to EBITDA Ratio	Floating Margin
< 1.00 to 1	2.00%
≥ 1.00 to 1.00 but < 2.00 to 1.00	2.50%
≥ 2.00 to 1.00 but < 3.00 to 1.00	3.00%
≥ 3.00 to 1.00	3.50%

The effective interest rate at December 31, 2024 was 7.16%. The Company pays accrued interest monthly on the first day of each successive calendar month.

The Company incurred \$306 of deferred financing costs that were capitalized and recorded as other non-current assets within the Consolidated Balance Sheets. Deferred financing costs are being amortized as interest expense over the respective debt instrument period, 36 months.

The Company had \$13,044 in outstanding borrowings under the revolving credit facility as of December 31, 2024. Total availability under the revolving facility was \$5,056, after accounting for \$4,000 reserved under the Credit Agreement until resolution of the Contingent Consideration.

As of December 31, 2024, the Company was in compliance with all applicable debt covenants.

NOTE 8: COMMITMENTS AND CONTINGENCIES

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

NOTE 9: INCOME TAXES

Income tax expense consisted of the following:

	Year ended December 31,	
	2024	2023
Tax provision summary:		
State income tax	\$ 46	\$ 39
Deferred tax expense – federal	41	9
Deferred tax expense – state	19	35
Tax expense	\$ 106	\$ 83

The income tax expense includes federal and state income taxes currently payable and those deferred or prepaid because of temporary differences between financial statement and tax bases of assets and liabilities. The Company records income taxes under the liability method. Under this method, deferred income taxes are recognized for the estimated future tax effects of differences between the tax bases of assets and liabilities and their financial reporting amounts based on enacted tax laws.

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:

	2024	2023
Federal statutory rate	21.0%	21.0%
State taxes, net of federal benefit	0.5%	1.3%
Foreign rate differential	1.0%	1.1%
Fair value of Contingent Consideration	(9.7)%	(6.5)%
Provision-to-return adjustments	(5.6)%	0.5%
Net operating loss expirations	(24.5)%	(2.5)%
Deferred tax true-ups	(0.2)%	(1.0)%
State rate changes	(0.5)%	2.0%
Other permanent	(1.6)%	(1.2)%
Changes in valuation allowance	16.5%	(16.5)%
Effective tax rate	(3.1)%	(1.8)%

The net deferred tax assets and liabilities recognized in the accompanying Consolidated Balance Sheets, determined using the income tax rate applicable to each period, consist of the following:

	December 31,	
	2024	2023
Deferred tax assets (liabilities):		
Reserves	\$ 239	\$ 249
Property and equipment	41	57
Accrued expenses	325	514
Right-of-use Asset	(207)	(254)
Right-of-use Liability	212	254
IRC 163(j) Interest Carryforward	651	704
Debt issuance costs	-	135
Non-qualified stock options	1,645	1,708
IRC Section 174	1,962	593
Net foreign carryforwards	4,148	3,753
Research and development credits	2,312	2,312
US net operating loss and contribution carryforwards	37,437	38,010
Intangibles	(5,244)	(3,818)
Total deferred tax liabilities, net	43,521	44,217
Valuation allowance	(43,654)	(44,290)
Net deferred tax liabilities	\$ (133)	\$ (73)

As of December 31, 2024, the Company had no reserves recorded as a liability for unrecognized tax benefits for U.S. federal and state tax jurisdictions. There were no unrecognized tax benefits as of December 31, 2024 that, if recognized, would affect the tax rate. It is the Company's policy to accrue interest and penalties related to liabilities for income tax contingencies in the provision for income taxes. As of December 31, 2024, the Company had no accrued interest or penalties related to uncertain tax positions.

Our deferred tax assets are primarily related to net federal and state operating loss carryforwards (NOLs). As of December 31, 2024, the Company has federal net operating loss carryforwards of \$36,433, federal contribution carryforwards of \$13, and state net operating loss carryforwards of \$991 expiring between 2025 and 2044, \$2,631 of which have an indefinite carryforward period but are subject to limitation on usage such that they cannot be utilized to offset more than 80% of taxable income in a given tax year. The federal statute of limitations remains open for tax years 2020 through 2023 and state tax jurisdictions generally have statutes of limitations open for tax years 2020 through 2023.

We have substantial NOLs that are limited in usage by IRC Section 382. IRC Section 382 generally imposes an annual limitation on the amount of NOLs that may be used to offset taxable income when a corporation has undergone significant changes in stock ownership within a statutory testing period.

We have performed a preliminary analysis of the annual NOL carryforwards and limitations that are available to be used against taxable income. Based on the history of losses of the Company, there continues to be a full valuation allowance against the net deferred tax assets of the Company.

NOTE 10: WARRANTS

A summary of outstanding warrants accounted for as equity instruments in the Company's Consolidated Financial Statements for the years ended December 31, 2024 and 2023 is included below:

	Warrants		
	Amount	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life
Balance December 31, 2022	5,824,027	\$ 6.56	4.21
Warrants expired	(1,237,025)	\$ 12.70	-
Balance December 31, 2023	4,587,002	\$ 4.90	4.11
Warrants expired	-	-	-
Balance December 31, 2024	4,587,002	\$ 4.90	3.11

NOTE 11: STOCK-BASED COMPENSATION

A summary of outstanding options as of December 31, 2024 is included below:

Time Vesting Options

Range of Exercise Prices between	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
\$4.01 - \$8.00	506,672	5.66	\$ 7.40	506,672	\$ 7.40
8.01+	85,225	1.20	22.51	85,225	22.51
	591,897	5.01	\$ 9.58	591,897	\$ 9.58

Performance Vesting Options

	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
	240,000	5.42	\$ 7.59	240,000	\$ 7.59

Market Vesting Options

	Number Outstanding	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
	733,334	7.46	\$ 3.00	-	\$ -

Date/Activity	<i>Market Vesting Options</i>		<i>Time Vesting Options</i>		<i>Performance Vesting Options</i>	
	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price	Options Outstanding	Weighted Average Exercise Price
Balance, December 31, 2023	733,334	3.00	662,798	10.00	240,000	\$ 7.59
Granted	-	-	-	-	-	-
Forfeited or expired	-	-	(70,901)	13.56	-	-
Balance, December 31, 2024	733,334	3.00	591,897	9.57	240,000	\$ 7.59

The weighted average remaining contractual life for options exercisable is 5.1 years as of December 31, 2024.

Shares authorized for issuance under the Company's 2014 Stock Incentive Plan is 2,000,000. There are 1,565,231 options outstanding under the 2014 Stock Incentive Plan. The Company's ability to issue new awards under its 2014 Stock Incentive Plan expired in 2023.

On October 18, 2024, the Company's shareholders approved the Company's 2023 Stock Incentive Plan, which authorizes the issuance of up to 2,500,000 shares. No awards have been issued under the Plan as of December 31, 2024.

Employee Awards

Stock-based compensation expense recognized for the issuance of stock options to employees for the years ended December 31, 2024 and 2023 of \$13 and \$383, respectively, was included in general and administrative expense in the Consolidated Financial Statements.

At December 31, 2024, there was \$2 of total unrecognized compensation expense related to unvested share-based awards with market vesting criteria for employees. Compensation expense related to market vesting options will be recognized over the next 1.5 months and will be adjusted for any future forfeitures as they occur. The fair value of options on the grant date varied between \$0.63 and \$1.11 per award as determined using the Monte Carlo model.

Non-Employee Awards

Compensation expense recognized for the issuance of stock options, including those options awarded to our Board of Directors, for the years ended December 31, 2024 and 2023 of \$0 and \$150, respectively, was included in general and administrative expense in the Consolidated Financial Statements. At December 31, 2024, there was no unrecognized compensation expense related to share-based awards to non-employees.

NOTE 12: SEGMENT REPORTING

Segment Information

We currently operate in one reportable segment, marketing technology solutions. The marketing technology solutions segment generates revenue through three primary sources which includes (1) hardware sales from reselling digital signage hardware from original equipment manufacturers, (2) services from helping customers design, deploy, and manage their digital signage and ad-based networks, and (3) recurring subscription licensing and support revenue from our digital signage and ad-tech software platforms, which are generally sold via a SaaS model.

Our Chief Executive Officer is our chief operating decision maker (the "CODM"). Our CODM evaluates performance and makes operating decisions about allocating resources based on financial data presented on a consolidated basis, accompanied by information about revenue disaggregated by service. Our CODM uses the segment information primarily to evaluate the profitability and strategic growth potential of the segment. The reported measures of profit or loss are benchmarked against historical performance and market expectations. Based on this analysis, the CODM determines whether or not to invest in new technology or reallocate operating expenses - namely personnel. In addition, the CODM reviews supplementary metrics such as disaggregated revenue as disclosed in [Note 4 Revenue Recognition](#) and customer growth to ensure that our strategic decisions are aligned with long-term performance goals.

The measure used by our CODM to assess performance and make operating decisions is net loss as reported on our Consolidated Statements of Operations. Significant segment expenses are reported as total expenses on the Consolidated Statements of Operations. Segment assets are disclosed in the Consolidated Balance Sheets.

Significant Customers

We had three customers that accounted for 15%, 13% and 10% of revenue for the year ended December 31, 2024. No customer accounted for more than 10% of revenue for the year ended December 31, 2023.

We had one customer that accounted for 16% of accounts receivable at December 31, 2024 and two customers that accounted for 26% and 23% of accounts receivable at December 31, 2023.

Significant Vendors

We had two vendors that accounted for 27% and 10% of outstanding accounts payable at December 31, 2024, and one vendor that accounted for 38% of outstanding accounts payable at December 31, 2023.

NOTE 13: LEASES

The Company's lease portfolio is primarily comprised of operating leases for office space and finance leases for computer equipment. At the inception of an arrangement, the Company determines whether the arrangement is or contains a lease based on whether the contract conveys the right to control the use of identified property or equipment for a period of time in exchange for consideration. Leases are classified as operating or finance leases at the commencement date of the lease. Leases may include one or more options to renew. We do not assume renewals in our determination of the lease term unless the renewals are deemed to be reasonably assured at lease commencement. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The Company determines the discount rate used to measure lease liabilities based on the rate implicit in the lease, if readily determinable. If the implicit rate is not available, the Company an incremental borrowing rate, which is determined based on the rate at which the Company could borrow on a collateralized basis over a similar term and in a similar economic environment to the lease.

The following table summarizes the classification of operating and finance lease assets and obligations in the Company's Consolidated Balance Sheet as of December 31, 2024 and 2023:

		Year Ended December 31,	
		2024	2023
Assets			
Operating lease assets	Operating lease right-of-use assets	\$ 787	\$ 1,041
Finance lease assets	Property and equipment, net	114	146
Total leased assets		<u>\$ 901</u>	<u>\$ 1,187</u>
Liabilities			
Short-term:			
Operating lease obligation	Current maturities of operating leases	\$ 466	\$ 505
Finance lease obligation	Accrued expenses and other current liabilities	46	42
Long-term			
Operating lease obligation	Long-term obligations under operating leases	342	536
Finance lease obligation	Other non-current liabilities	68	104
Total lease obligations		<u>\$ 922</u>	<u>\$ 1,187</u>

The following table summarizes the classification of lease expense in the Company's Consolidated Statements of Operations for the years ended December 31, 2024 and 2023:

		Year Ended December 31,	
		2024	2023
Operating lease expense:			
Operating lease expense		\$ 584	\$ 753
Finance lease expense:			
Amortization of right-of-use assets		44	23
Interest on lease obligations		8	5
Total lease expense		<u>\$ 636</u>	<u>\$ 781</u>

The following table provides lease term and discount rate information related to operating leases as of December 31, 2024:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Weighted average remaining lease term (years)		
Operating leases	2.1	2.6
Finance leases	2.3	3.4
Weighted average discount rate		
Operating leases	9.6%	10.0%
Finance leases	5.5%	5.7%

The following table sets forth the scheduled maturities of lease obligations as of December 31, 2024:

	Operating Leases	Finance Leases	Total Leases
2025	\$ 516	\$ 51	\$ 567
2026	219	47	266
2027	150	23	173
2028	-	1	1
Total undiscounted cash flows	885	122	1,007
Less imputed interest	(77)	(8)	(85)
Present value of lease liabilities	<u>\$ 808</u>	<u>\$ 114</u>	<u>\$ 922</u>

The following table provides supplemental information related to the Company's Consolidated Statements of Cash Flows for the years ended December 31, 2024 and 2023:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows paid for operating leases	\$ 575	\$ 753
Operating cash flows paid for finance leases	\$ 7	\$ 5
Financing cash flows paid for finance leases	\$ 44	\$ 23
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 13	\$ 169

NOTE 14: PROFIT-SHARING PLAN

We have a defined contribution 401(k) retirement plans for eligible associates in the United States. Associates may contribute up to 15% of their pretax compensation to the plan subject to IRS limitations. The Company contributes an employer contribution match of 50% of employee wages up to 6%, for an effective match of 3%.

We have a Registered Retirement Savings Plan for eligible associates in Canada. Associates may contribute up to 18% of earned income reported on their tax return in the previous year, subject to legal contribution limits. The Company contributes an employer contribution match of 50% of employee wages up to 6%, for an effective match of 3%.

The Company contributed \$288 and \$253 to employee retirement plans for the year-ended December 31, 2024 and 2023, respectively.

CREATIVE REALITIES, INC.

2023 STOCK INCENTIVE PLAN

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CREATIVE REALITIES, INC.
2023 STOCK INCENTIVE PLAN

1. Purpose. The purpose of the 2023 Stock Incentive Plan (the “Plan”) of Creative Realities, Inc., a Minnesota corporation (the “Company”), is to increase shareholder value and to advance the interests of the Company by furnishing a variety of economic incentives (“Incentives”) designed to attract, retain and motivate employees, certain key consultants and directors of the Company. Incentives may consist of opportunities to purchase or receive shares of common stock, \$0.01 par value per share, of the Company (“Common Stock”) or other incentive awards on terms determined under this Plan.

2. Administration.

2.1 Administration by Committee. The Plan shall be administered by the Board of Directors of the Company (the “Board of Directors”) or by a stock option or compensation committee of the Board of Directors (the “Committee,” which term is used throughout this Plan to refer to either the Board of Directors or a Committee – whichever is administering the Plan from time to time hereunder). If administered by a committee, the Committee shall consist of not less than two directors of the Company and shall be appointed from time to time by the Board of Directors. During any time period during which the Company has a class of equity securities registered under Section 12 of the Securities Exchange Act of 1934 (including the regulations thereunder, the “1934 Act”), each member of the Committee shall be (a) a “non-employee director” within the meaning of Rule 16b-3 of the 1934 Act (a “Non-Employee Director”), and (b) shall be an independent director under listing rules of The Nasdaq Stock Market or, if the Company is no longer listed on The Nasdaq Stock Market, then any national securities exchange on which the Company’s common stock may be listed. The Committee shall have complete authority to award Incentives under the Plan, to interpret the Plan, and to make any other determination which it believes necessary and advisable for the proper administration of the Plan. The Committee’s decisions and matters relating to the Plan shall be final and conclusive on the Company and its participants. If at any time there is No stock option or compensation committee, the term “Committee,” as used in the Plan, shall refer to the Board of Directors.

2.2 Delegation of Authority. Notwithstanding the foregoing or anything else to the contrary contained in the Plan, the Company’s Chief Executive Officer or Chief Financial Officer may, on a discretionary basis and without the Committee’s review or approval, grant Stock Options to purchase shares to employees of the Company who are not officers of the Company to the extent the Committee allocates shares for such purpose (as part of an annual budget or otherwise). Subject to the foregoing limitations, the Chief Executive Officer or Chief Financial Officer shall determine from time to time (i) the employees to whom grants will be made, (ii) the number of shares to be granted and (iii) the terms and provisions of each Stock Option (which need not be identical).

3. Eligible Participants. Officers of the Company, employees of the Company or its subsidiaries, members of the Board of Directors, and consultants or other independent contractors who provide services to the Company or its subsidiaries shall be eligible to receive Incentives under the Plan when designated by the Committee. Participants may be designated individually or by groups or categories (for example, by pay grade) as the Committee deems appropriate. Participation by officers of the Company or its subsidiaries and any performance objectives relating to such officers must be approved by the Committee. Participation by others and any performance objectives relating to others may be approved by groups or categories (for example, by pay grade) and authority to designate participants who are not officers and to set or modify such targets may be delegated.

4. Types of Incentives. Incentives under the Plan may be granted in any one or a combination of the following forms: (a) incentive stock options and non-statutory stock options; (b) stock appreciation rights (“SARs”); (c) stock awards; (d) restricted stock; (e) restricted stock units; and (f) performance awards. Subject to the specific limitations provided in this Plan, payment of Incentives may be in the form of cash, Common Stock or combinations thereof as the Committee shall determine, and with such other restrictions as it may impose.

5. Shares Subject to the Plan.

5.1 Number of Shares. Subject to adjustment as provided in Section 10.6, the number of shares of Common Stock issuable under the Plan shall not exceed 2,500,000 shares of Common Stock. Shares of Common Stock issued under the Plan or subject to outstanding Incentives will be applied to reduce the maximum number of shares of Common Stock remaining available for issuance under the Plan. Any shares of Common Stock subject to SARs granted under this Plan shall be counted in full against the above-indicated share limit, regardless of the number of shares of Common Stock actually issued upon the exercise of such SARs.

5.2 Cancellation. If an Incentive granted under the Plan expires or is terminated or canceled unexercised as to any shares of Common Stock or forfeited or reacquired by the Company pursuant to rights reserved upon issuance thereof, such forfeited and reacquired shares may again be issued under the Plan pursuant to another Incentive. If any Shares subject to an Incentive granted under the Plan are withheld or applied as payment in connection with the exercise of an Incentive (including the withholding of Shares on the exercise of a stock option or the exercise of an SAR that is settled in Shares) or the withholding or payment of taxes related thereto, such Shares shall not again be available for grant under the Plan.

5.3 Type of Common Stock. Common Stock issued under the Plan in connection with Incentives will be authorized and unissued shares.

5.4 Limitation on Awards Granted to Non-Employee Directors. No member of the Board of Directors who is not also an employee of the Company may be granted any Incentive or Incentives that exceed in the aggregate \$100,000 in value (such value computed as of the date of grant in accordance with applicable financial accounting rules) in any calendar year (provided that service solely as a director, or payment of a fee for such services, will not cause a director to be considered an “employee” for purposes of this Section 5.4). The foregoing limit shall not apply to any Incentive made pursuant to any election by the directors, if permitted by the Committee, to receive an Incentive in lieu of all or a portion of annual and committee cash retainers and meeting fees.

6. Stock Options. A stock option is a right to purchase shares of Common Stock from the Company. Each stock option granted by the Committee under this Plan shall be subject to the following terms and conditions:

6.1 Price. The option price per share shall be determined by the Committee, subject to adjustment under Section 10.6. Notwithstanding the foregoing sentence, the option price per share shall not be less than the Fair Market Value (as defined in Section 10.14) of the Common Stock on the Grant Date (as defined in Section 10.15).

6.2 Number. The number of shares of Common Stock subject to a stock option shall be determined by the Committee, subject to adjustment as provided in Section 10.6. The number of shares of Common Stock subject to a stock option shall be reduced in the same proportion that the holder thereof exercises an SAR if any SAR is granted in conjunction with or related to the stock option.

6.3 Duration and Time for Exercise. Subject to earlier termination as provided in Section 10.4, the term of each stock option shall be determined by the Committee but shall not exceed ten years and one day from the Grant Date, as that term is defined in Section 10.15. Each stock option shall become exercisable at such time or times during its term as shall be determined by the Committee at the time of grant. The Committee may accelerate the exercisability of any stock option. Subject to the first sentence of this paragraph, the Committee may extend the term of any stock option to the extent provided in Section 10.4.

6.4 Manner of Exercise. A stock option may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of shares of Common Stock to be purchased and accompanied by the full purchase price for such shares. The option price shall be payable: (a) in United States dollars upon exercise of the option and may be paid by cash, uncertified or certified check or bank draft; (b) unless otherwise provided in the option agreement, by delivery of shares of Common Stock in payment of all or any part of the option price, which shares shall be valued for this purpose at the Fair Market Value on the date such option is exercised; or (c) unless otherwise provided in the option agreement, by instructing the Company to withhold from the shares of Common Stock issuable upon exercise of the stock option shares of Common Stock in payment of all or any part of the exercise price and/or any related withholding tax obligations consistent with Section 10.8, which shares shall be valued for this purpose at the Fair Market Value or in such other manner as may be authorized from time to time by the Committee. Before the issuance of shares of Common Stock upon the exercise of a stock option, a participant shall have no rights as a shareholder.

6.5 Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, the following additional provisions shall apply to the grant of stock options which are intended to qualify as Incentive Stock Options (as such term is defined in Section 422 the U.S. Internal Revenue Code of 1986, as amended from time to time (the “Code”)):

(a) The aggregate Fair Market Value (determined as of the time the option is granted) of the shares of Common Stock with respect to which Incentive Stock Options are exercisable for the first time by any participant during any calendar year (under all of the Company’s plans) shall not exceed \$100,000. The determination will be made by taking Incentive Stock Options into account in the order in which they were granted. If such excess only applies to a portion of an Incentive Stock Option, the Committee, in its discretion, will designate which shares will be treated as shares to be acquired upon exercise of an Incentive Stock Option.

(b) Any option agreement for an Incentive Stock Option under the Plan shall contain such other provisions as the Committee shall deem advisable, but shall in all events be consistent with and contain all provisions required in order to qualify the options as Incentive Stock Options.

(c) All Incentive Stock Options must be granted within ten years from the earlier of the date on which this Plan was adopted by Board of Directors or the date this Plan was approved by the shareholders.

(d) Unless sooner exercised, all Incentive Stock Options shall expire no later than ten years after the Grant Date.

(e) The option price for Incentive Stock Options shall be not less than the Fair Market Value of the Common Stock subject to the option on the Grant Date.

(f) If Incentive Stock Options are granted to any participant who, at the time such option is granted, would own (within the meaning of Code Section 422) stock possessing more than 10% of the total combined voting power of all classes of stock of the employer corporation or of its parent or subsidiary corporation, (i) the option price for such Incentive Stock Options shall be not less than 110% of the Fair Market Value of the Common Stock subject to the option on the Grant Date and (ii) such Incentive Stock Options shall expire no later than five years after the Grant Date.

7. Stock Appreciation Rights. An SAR is a right to receive, without payment to the Company, a number of shares of Common Stock, the amount of which is determined pursuant to the formula set forth in Section 7.5. An SAR may be granted (a) with respect to any stock option granted under this Plan, either concurrently with the grant of such stock option or at such later time as determined by the Committee (as to all or any portion of the shares of Common Stock subject to the stock option), or (b) alone, without reference to any related stock option. Each SAR granted by the Committee under this Plan shall be subject to the following terms and conditions:

7.1 Price. The exercise price per share of any SAR granted without reference to a stock option shall be determined by the Committee, subject to adjustment under Section 10.6. Notwithstanding the foregoing sentence, the exercise price per share shall not be less than the Fair Market Value of the Common Stock on the Grant Date.

7.2 Number. Each SAR granted to any participant shall relate to such number of shares of Common Stock as shall be determined by the Committee, subject to adjustment as provided in Section 10.6. In the case of an SAR granted with respect to a stock option, the number of shares of Common Stock to which the SAR relates shall be reduced in the same proportion that the holder of the option exercises the related stock option.

7.3 Duration. Subject to earlier termination as provided in Section 10.4, the term of each SAR shall be determined by the Committee but shall not exceed ten years and one day from the Grant Date. Unless otherwise provided by the Committee, each SAR shall become exercisable at such time or times, to such extent and upon such conditions as the stock option, if any, to which it relates is exercisable. The Committee may in its discretion accelerate the exercisability of any SAR. Subject to the first sentence of this paragraph, the Committee may extend the term of any SAR to the extent provided in Section 10.4.

7.4 Exercise. An SAR may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of SARs which the holder wishes to exercise. Upon receipt of such written notice, the Company shall, within 90 days thereafter, deliver to the exercising holder certificates for the shares of Common Stock or cash or both, as determined by the Committee, to which the holder is entitled pursuant to Section 7.5.

7.5 Issuance of Shares Upon Exercise. The number of shares of Common Stock which shall be issuable upon the exercise of an SAR shall be determined by dividing: (a) the number of shares of Common Stock as to which the SAR is exercised multiplied by the amount of the appreciation in such shares (for this purpose, the "appreciation" shall be the amount by which the Fair Market Value of the shares of Common Stock subject to the SAR on the exercise date exceeds (1) in the case of an SAR related to a stock option, the purchase price of the shares of Common Stock under the stock option or (2) in the case of an SAR granted alone, without reference to a related stock option, an amount which shall be determined by the Committee at the time of grant, subject to adjustment under Section 10.6); by (b) the Fair Market Value of a share of Common Stock on the exercise date. No fractional shares of Common Stock shall be issued upon the exercise of an SAR; instead, the holder of the SAR shall be entitled to receive a cash adjustment equal to the same fraction of the Fair Market Value of a share of Common Stock on the exercise date or to purchase the portion necessary to make a whole share at its Fair Market Value on the date of exercise.

8. Stock Awards, Restricted Stock and Restricted Stock Units. A stock award consists of the transfer by the Company to a participant of shares of Common Stock, with or without other payment therefor, as additional compensation for services to the Company. A share of restricted stock consists of shares of Common Stock which are sold or transferred by the Company to a participant at a price, if any, determined by the Committee and subject to restrictions on their sale or other transfer by the participant. Restricted stock units represent the right to receive shares of Common Stock at a future date. Stock awards, restricted stock and restricted stock units shall be subject to the following terms and conditions:

8.1 Number of Shares. The number of shares to be transferred or sold by the Company to a participant pursuant to a stock award or as restricted stock, or the number of shares that may be issued pursuant to a restricted stock unit, shall be determined by the Committee.

8.2 Sale Price. The Committee shall determine the price, if any, at which shares of restricted stock shall be sold to a participant, which may vary from time to time and among participants and which may be below the Fair Market Value of such shares of Common Stock at the date of sale.

8.3 Restrictions. All shares of restricted stock transferred or sold by the Company hereunder, and all restricted stock units granted hereunder, shall be subject to such restrictions as the Committee may determine, including, without limitation any or all of the following: (a) a prohibition against the sale, transfer, pledge or other encumbrance of the shares of restricted stock, such prohibition to lapse at such time or times as the Committee shall determine (whether in annual or more frequent installments, at the time of the death, disability or retirement of the holder of such shares, or otherwise); (b) a requirement that the holder of shares of restricted stock or restricted stock units forfeit, or (in the case of shares sold to a participant) re-sell back to the Company at his or her cost, all or a part of such shares in the event of termination of his or her employment, service on the Board of Directors or consulting engagement during any period in which such shares are subject to restrictions; and/or (c) such other conditions or restrictions as the Committee may deem advisable.

8.4 Enforcement of Restrictions. In order to enforce the restrictions imposed by the Committee pursuant to Section 8.3, the participant receiving restricted stock or restricted stock units shall enter into an agreement with the Company setting forth the conditions of the grant. Shares of restricted stock shall be registered in the name of the participant and deposited, together with a stock power endorsed in blank, with the Company. Each such certificate shall bear a legend that refers to the Plan and the restrictions imposed under the applicable agreement. At the Committee's election, shares of restricted stock may be held in book entry form subject to the Company's instructions until any restrictions relating to the restricted stock grant lapse.

8.5 End of Restrictions. Subject to Section 10.5, at the end of any time period during which the shares of restricted stock are subject to forfeiture and restrictions on transfer, such shares will be delivered free of all restrictions to the participant or to the participant's legal representative, beneficiary or heir. Subject to Section 10.5, upon the lapse or waiver of restrictions applicable to restricted stock units, or at a later time specified in the agreement governing the grant of restricted stock units, any shares derived from the restricted stock units shall be issued and delivered to the holder of the restricted stock units.

8.6 Rights of Holders of Restricted Stock and Restricted Stock Units. Subject to the terms and conditions of the Plan, each participant receiving restricted stock shall have all the rights of a shareholder with respect to shares of stock during any period in which such shares are subject to forfeiture and restrictions on transfer, including without limitation, the right to vote such shares. Any holder of restricted stock units shall not be, and shall not have rights and privileges of, a shareholder with respect to any shares that may be derived from the restricted stock units unless and until such shares have been issued.

8.7 Settlement of Restricted Stock Units. Restricted stock units may be satisfied by delivery of shares of stock, cash equal to the Fair Market Value of the specified number of shares covered by the restricted stock units, or a combination thereof, as determined by the Committee at the date of grant or thereafter.

8.8 Dividend Equivalents. In connection with any award of restricted stock units, the Committee may grant the right to receive cash, shares of stock or other property equal in value to dividends paid with respect to the number of shares represented by the restricted stock units (“Dividend Equivalents”). Unless otherwise determined by the Committee at the date of grant, any Dividend Equivalents that are granted with respect to any award of restricted stock units shall be paid with respect to such restricted stock units at the dividend payment date in cash or in shares of unrestricted stock having a Fair Market Value equal to the amount of such dividend.

9. Performance Awards. The right of a participant to exercise or receive a grant or settlement of any Incentive, and the timing thereof, may be subject to such performance conditions as may be specified by the Committee (such an Incentive is referred to as a “Performance Award”). The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to change the amounts payable under any Incentive subject to performance conditions.

10. General.

10.1 Effective Date. The Plan is effective as of November 8, 2023 (the “Effective Date”).

10.2 Duration. The Plan shall remain in effect until all Incentives granted under the Plan have either been satisfied by the issuance of shares of Common Stock or the payment of cash or been terminated under the terms of the Plan and all restrictions imposed on shares of Common Stock in connection with their issuance under the Plan have lapsed. No Incentives may be granted under the Plan after the tenth anniversary of the Effective Date of the Plan.

10.3 Non-Transferability of Incentives. No stock option, SAR, restricted stock or stock award may be transferred, pledged or assigned by the holder thereof (except, in the event of the holder’s death, by will or the laws of descent and distribution to the limited extent provided in the Plan or the Incentive, or pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act, or the rules thereunder), and the Company shall not be required to recognize any attempted assignment of such rights by any participant. Notwithstanding the preceding sentence, stock options (other than stock options intended to qualify as Incentive Stock Options pursuant to Section 6.5) may be transferred by the holder thereof to the holder’s spouse, children, grandchildren or parents (collectively, the “Family Members”), to trusts for the benefit of Family Members, to partnerships or limited liability companies in which Family Members are the only partners or shareholders, or to entities exempt from federal income taxation pursuant to Code Section 501(c)(3). During a participant’s lifetime, a stock option may be exercised only by him or her, by his or her guardian or legal representative or by the transferees permitted by this Section 10.3.

10.4 Effect of Termination or Death. If a participant ceases to be an employee of or consultant to the Company for any reason, including death or disability, any Incentives may be exercised or shall expire at such times as may be set forth in the agreement, if any, applicable to the Incentive, or otherwise as determined by the Committee; provided, however, the term of an Incentive may not be extended beyond the term originally prescribed when the Incentive was granted, unless the Incentive satisfies (or is amended to satisfy) the requirements of Code Section 409A, including the rules and regulations promulgated thereunder (together, "Code Section 409A"); and provided further that the term of an Incentive may not be extended beyond the maximum term permitted under this Plan.

10.5 Restrictions under Securities Laws. Notwithstanding anything in this Plan to the contrary: (a) the Company may, if it shall determine it necessary or desirable for any reason, at the time of award of any Incentive or the issuance of any shares of Common Stock pursuant to any Incentive, require the recipient of the Incentive, as a condition to the receipt thereof or to the receipt of shares of Common Stock issued pursuant thereto, to deliver to the Company a written representation of present intention to acquire the Incentive or the shares of Common Stock issued pursuant thereto for his or her own account for investment and not for distribution; and (b) if at any time the Company further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of any Incentive or the shares of Common Stock issuable pursuant thereto is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the award of any Incentive, the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such Incentive shall not be awarded or such shares of Common Stock shall not be issued or such restrictions shall not be removed, as the case may be, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

10.6 Adjustment. In the event of any recapitalization, stock dividend, stock split, combination of shares or other change in the Common Stock, the number of shares of Common Stock then subject to the Plan, including shares subject to outstanding Incentives, and the other numbers of shares of Common Stock provided in the Plan, shall be adjusted in proportion to the change in outstanding shares of Common Stock. In the event of any such adjustments, the purchase price of any option, the performance objectives of any Incentive, and the shares of Common Stock issuable pursuant to any Incentive shall be adjusted as and to the extent appropriate, in the discretion of the Committee, to provide participants with the same relative rights before and after such adjustment.

10.7 Incentive Plans and Agreements. Except in the case of stock awards, the terms of each Incentive shall be stated in a plan or agreement approved by the Committee. The Committee may also determine to enter into agreements with holders of options to reclassify or convert certain outstanding options, within the terms of the Plan, as Incentive Stock Options or as non-statutory stock options and in order to eliminate SARs with respect to all or part of such options and any other previously issued options. The Committee shall communicate the key terms of each award to the participant promptly after the Committee approves the grant of such award.

10.8 Withholding.

(a) The Company shall have the right to withhold from any payments made under the Plan or to collect as a condition of payment, any taxes required by law to be withheld. If so permitted by the Committee at the time of the award of any Incentive or at a later time, at any time when a participant is required to pay to the Company an amount required to be withheld under applicable income tax laws in connection with a distribution of Common Stock or upon exercise of an option or SAR or upon vesting of restricted stock, the participant may satisfy this obligation in whole or in part by electing (the "Election") to have the Company withhold, from the distribution or from such shares of restricted stock, shares of Common Stock having a value up to the minimum amount of withholding taxes required to be collected on the transaction. The value of the shares to be withheld shall be based on the Fair Market Value of the Common Stock on the date that the amount of tax to be withheld shall be determined ("Tax Date").

(b) Each Election must be made before the Tax Date. The Committee may disapprove of any Election, may suspend or terminate the right to make Elections, or may provide with respect to any Incentive that the right to make Elections shall not apply to such Incentive. An Election is irrevocable.

10.9 No Continued Employment, Engagement or Right to Corporate Assets. No participant under the Plan shall have any right, because of his or her participation, to continue in the employ of the Company or any of its subsidiaries for any period of time or to any right to continue his or her present or any other rate of compensation. Nothing contained in the Plan shall be construed as giving an employee, a consultant, such persons' beneficiaries or any other person any equity or interests of any kind in the assets of the Company or creating a trust of any kind or a fiduciary relationship of any kind between the Company and any such person.

10.10 Payments Under Incentives. Payment of cash or distribution of any shares of Common Stock to which a participant is entitled under any Incentive shall be made as provided in the Incentive. Except as permitted under Section 10.16, payments and distributions may not be deferred under any Incentive unless the deferral complies with the requirements of Code Section 409A.

10.11 Amendment of the Plan. The Board of Directors may amend or discontinue the Plan at any time. However, no such amendment or discontinuance shall adversely change or impair, without the consent of the recipient, an Incentive previously granted. Further, no such amendment shall, without approval of the shareholders of the Company, (a) increase the maximum number of shares of Common Stock which may be issued to all participants under the Plan, (b) change or expand the types of Incentives that may be granted under the Plan, (c) change the class of persons eligible to receive Incentives under the Plan, or (d) materially increase the benefits accruing to participants under the Plan.

10.12 Amendment of Agreements for Incentives; No Repricing. Except as otherwise provided in this Section 10.12 or Section 10.16, the terms of an existing Incentive may be amended by agreement between the Committee and the participant. Notwithstanding the foregoing sentence, in the case of a stock option or SAR, no such amendment shall: (a) without shareholder approval, lower the exercise price of a previously granted stock option or SAR, cancel a stock option or SAR when the exercise price per share exceeds the Fair Market Value of the underlying shares in exchange for another Incentive or cash, or take any other action with respect to a stock option that may be treated as a repricing under the federal securities laws or generally accepted accounting principles; or (b) extend the term of the Incentive, except as provided in Section 10.4 and 10.16.

10.13 Sale, Change in Control, Merger, Exchange or Liquidation. Unless otherwise provided in the agreement for an Incentive, in the event of (i) an acquisition of the Company through the sale of all or substantially all of the Company's assets or (ii) a change in control of at least a majority of the issued and outstanding voting securities of the Company through a merger, exchange, reorganization or liquidation of the Company or a similar event, all as determined by the Committee in its sole discretion (collectively, any of the transactions described in clauses (i) and (ii) are referred to as a "Sale Transaction"), the Committee shall be authorized, in its sole discretion, to take any and all action it deems equitable under the circumstances, including but not limited to any one or more of the following:

(a) providing that the Plan and all Incentives shall terminate and the holders of (i) all outstanding vested options shall receive, in lieu of any shares of Common Stock they would be entitled to receive under such options, such stock, securities or assets, including cash, as would have been paid to such participants if their options had been exercised and such participant had received Common Stock immediately before such Sale Transaction (with appropriate adjustment for the exercise price, if any), (ii) SARs that entitle the participant to receive Common Stock shall receive, in lieu of any shares of Common Stock each participant was entitled to receive as of the date of the Sale Transaction pursuant to the terms of such Incentive, if any, such stock, securities or assets, including cash, as would have been paid to such participant if such Common Stock had been issued to and held by the participant immediately before such Sale Transaction, and (iii) any Incentive under this Plan which does not entitle the participant to receive Common Stock shall be equitably treated as determined by the Committee;

(b) providing that participants holding outstanding vested Common Stock-based Incentives shall receive, with respect to each share of Common Stock issuable pursuant to such Incentives as of the effective date of any such Sale Transaction, at the determination of the Committee, cash, securities or other property, or any combination thereof, in an amount equal to the excess, if any, of the Fair Market Value of such Common Stock (determined as of any date within ten days before the effective date of such Sale Transaction) over the option price or other amount owed by a participant, if any, and that such Incentives shall be cancelled, including the cancellation without consideration of all options that have an exercise price below the per share value of the consideration received by the Company in the Sale Transaction;

(c) subject to any provisions contained in a particular written agreement evidencing an Incentive, providing that the Plan (or replacement plan) shall continue with respect to Incentives not cancelled or terminated as of the effective date of such Sale Transaction and provide to participants holding such Incentives the right to earn their respective Incentives on the same or a substantially equivalent basis (taking into account the Sale Transaction and the number of shares or other equity issued by such successor entity) with respect to the equity of the entity succeeding the Company by reason of such Sale Transaction; or

(d) subject to any provisions contained in a particular written agreement evidencing an Incentive, providing that such Incentive shall become vested and all restrictions shall lapse.

The Board of Directors may restrict the rights of participants or the applicability of this Section 10.13 to the extent necessary to comply with Section 16(b) of the 1934 Act, the Code or any other applicable law or regulation. The grant of an Incentive award pursuant to the Plan shall not limit in any way the right or power of the Company to make adjustments, reclassifications, reorganizations or changes of its capital or business structure or to merge, exchange or consolidate or to dissolve, liquidate, sell or transfer all or any part of its business or assets.

10.14 Definition of Fair Market Value. For purposes of this Plan, the “Fair Market Value” of a share of Common Stock at a specified date shall, unless otherwise expressly provided in this Plan, be the amount which the Committee determines in good faith to be 100% of the fair market value of such a share as of the date in question. Notwithstanding the foregoing:

(a) If such shares are listed on a U.S. securities exchange, then Fair Market Value shall be determined by reference to the last sale price of a share of Common Stock on such U.S. securities exchange on the applicable date. If such U.S. securities exchange is closed for trading on such date, or if the Common Stock does not trade on such date, then the last sale price used shall be the one on the date the Common Stock last traded on such U.S. securities exchange.

(b) If such shares are publicly traded but are not listed on a U.S. securities exchange, then Fair Market Value shall be determined by reference to the trading price of a share of Common Stock on such date (or, if the applicable market is closed on such date, the last date on which the Common Stock was publicly traded), by a method consistently applied by the Committee.

(c) If such shares are not publicly traded, then the Committee's determination will be based upon a good faith valuation of the Company's Common Stock as of such date, which shall be based upon such factors as the Committee deems appropriate. The valuation shall be accomplished in a manner that complies with Code Section 409A and shall be consistently applied to Incentives under the Plan.

10.15 Definition of Grant Date. For purposes of this Plan, the "Grant Date" of an Incentive shall be the date on which the Committee approved the award (or, if applicable, the date on which the Company's Chief Executive Officer exercised discretionary authority granted by the Committee and approved the award) or, if later, the date on which (a) the participant is no longer able to negotiate the terms of the award and (b) it is expected that the key terms of the award will be communicated within a relatively short period of time.

10.16 Compliance with Code Section 409A.

(a) Except to the extent such acceleration or deferral is permitted by the requirements of Code Section 409A, neither the Committee nor a participant may accelerate or defer the time or schedule of any payment of, or the amount scheduled to be paid under, an Incentive that constitutes Deferred Compensation (as defined in paragraph(d) below); provided, however, that payment shall be permitted if it is in accordance with a "specified time" or "fixed schedule" or on account of "separation from service," "disability," death, "change in control" or "unforeseeable emergency" (as those terms are defined under Code Section 409A) that is specified in the agreement evidencing the Incentive.

(b) Notwithstanding anything in this Plan, unless the agreement evidencing the Incentive specifically provides otherwise, if a participant is treated as a Specified Employee (as defined in paragraph (d) and as determined under Code Section 409A by the Committee in good faith) as of the date of his or her "separation from service" as defined for purposes of Code Section 409A, the Company may not make payment to the participant of any Incentive that constitutes Deferred Compensation, earlier than 6 months following the participant's separation from service (or if earlier, upon the Specified Employee's death), except as permitted under Code Section 409A. Any payments that otherwise would be payable to the Specified Employee during the foregoing 6-month period will be accumulated and payment delayed until the first date after the 6-month period. The Committee may specify in the Incentive agreement, that the amount of the Deferred Compensation delayed under this paragraph shall accumulate interest, earnings or Dividend Equivalents (as applicable) during the period of such delay.

(c) The Committee may, however, reform any provision in an Incentive that is intended to comply with (or be exempt from) Code Section 409A, to maintain to the maximum extent practicable the original intent of the applicable provision without violating the provisions of Code Section 409A.

(d) For purposes of this Section 10.16, “Deferred Compensation” means any Incentive under this Plan that provides for the “deferral of compensation” under a “nonqualified deferred compensation plan” (as those terms are defined under Code Section 409A) and that would be subject to the taxes specified in Code Section 409A(a)(1) if and to the extent that the Plan and the agreement evidencing the Incentive do not meet or are not operated in compliance with the requirements of paragraphs (a)(2), (a)(3) and (a)(4) of Code Section 409A. Deferred Compensation shall not include any amount that is otherwise exempt from the requirements of Code Section 409A. A “Specified Employee” means a Participant who is a “key employee” as described in Code Section 416 (i) (disregarding paragraph (5) thereof) at any time during the Company’s fiscal year ending on January 31, or such other “identification date” that applies consistently for all plans of the Company that provide “deferred compensation” that is subject to the requirements of Code Section 409A. Each participant will be identified as a Specified Employee in accordance with Code Section 409A, including with respect to the merger of the Company with any other company or any spin-off or similar transaction, and such identification shall apply for the 12-month period commencing on the first day of the fourth month following the identification date. Notwithstanding the foregoing, no participant shall be a Specified Employee unless the stock of the Company (or other member of a “controlled group of corporations” as determined under Code Section 1563) is publicly traded on an established securities market (or otherwise) as of the date of the participant’s “separation from service” as defined in Code Section 409A.

10.17 Shareholder Approval. Notwithstanding anything to the contrary set forth in the Plan, until the Plan is approved by the Company’s shareholders, (i) no shares of Common Stock may be issued under the Plan, and (ii) no options issued under the Plan may be exercised. If the Company’s shareholders do not approve the Plan on or prior to the 12-month anniversary of the Effective Date, or if the Plan is submitted to a vote of shareholders and not approved, then the Plan and all Incentives granted hereunder shall thereupon be null and void without any further action required by the Committee or the Company.

10.18 Clawback/Recovery.

(a) Each Incentive will be subject to any policy of the Company or any of its Subsidiaries that relates to trading on non-public information and permitted transactions with respect to shares of Common Stock, including, but not limited to, limitations on hedging and pledging. In addition, each Award will be subject to any policy of the Company or any of its Subsidiaries that provides for forfeiture, disgorgement, or clawback with respect to incentive compensation that includes Incentives under the Plan, and will be further subject to forfeiture and disgorgement to the extent required by law or applicable stock exchange listing standards, including, without limitation, Section 10D of the 1934 Act. The Board of Directors may also impose such other clawback, recovery or recoupment provisions in an Incentive agreement or employment agreement as the Board of Directors determines necessary or appropriate, including but not limited to a reacquisition right in respect of a participant’s previously acquired shares of Common Stock or other cash or property upon the occurrence of an event constituting “cause,” as such term may be defined in the relevant agreement.

(b) Each participant of the Plan, by accepting or being deemed to have accepted an Incentive under the Plan, agrees (or will be deemed to have agreed) to the terms of this Section 10.18(b) and any clawback, recoupment or similar policy of the Company or any of its subsidiaries and further agrees (or will be deemed to have further agreed) to cooperate fully with the Board of Directors, and to cause any and all permitted transferees of the participant to cooperate fully with the Board of Directors, to effectuate any forfeiture or disgorgement described in this Section 10.18(b). Neither the Board of Directors nor the Company (or its subsidiaries) nor any other person, other than the participant and his or her permitted transferees, if any, will be responsible for any adverse tax or other consequences to a participant or his or her permitted transferees, if any, that may arise in connection with this Section 10.18(b). No recovery of compensation under such a clawback policy will be an event giving rise to a right to voluntary terminate employment upon “resignation” for “good reason” or for a “constructive termination” or any similar term under any plan of or agreement with the Company.

Our significant subsidiaries are as follows:

Name of subsidiary	Jurisdiction of incorporation or organization
Allure Global Solutions, Inc.	Georgia
Reflect Systems, Inc.	Delaware
Creative Realities Canada, Inc.	Canada

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have issued our report dated March 14, 2025, with respect to the consolidated financial statements included in the Annual Report of Creative Realities, Inc. on Form 10-K for the year ended December 31, 2024. We consent to the incorporation by reference of said report in the Registration Statements of Creative Realities, Inc. on Form S-3 (File No. 333-282703, File No. 333-272202, File No. 333-265699, File No. 333-262516, File No. 333-255001 and File No. 333-239108), and on Form S-8 (File No. 333-257288 and File No. 333-285644).

/s/ Grant Thornton LLP

Cincinnati, Ohio
March 14, 2025

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-282703, 333-272202, 333-265699, 333-262516, 333-239108, and 333-255001 on Form S-3, and Nos. 333-285644 and 333-257288 on Form S-8 of our report dated March 21, 2024, relating to the consolidated financial statements of Creative Realities, Inc., appearing in this Annual Report on Form 10-K of Creative Realities, Inc. for the year ended December 31, 2024.

/s/ Deloitte & Touche LLP

Louisville, Kentucky
March 14, 2025

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

I, Richard Mills, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2024, of Creative Realities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 14, 2025

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

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

I, David Ryan Mudd, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2024, of Creative Realities, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 14, 2025

By: /s/ David Ryan Mudd
David Ryan Mudd
Interim Chief Financial Officer

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

In connection with the Annual Report of Creative Realities, Inc. (the "Company") on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Richard Mills, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: March 14, 2025

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

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

In connection with the Annual Report of Creative Realities, Inc. (the "Company") on Form 10-K for the year ended December 31, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David Ryan Mudd, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: March 14, 2025

By: /s/ David Ryan Mudd
David Ryan Mudd
Interim Chief Financial Officer



Clawback Policy

The Board of Directors (the “Board”) of Creative Realities, Inc. (the “Company”) believes that it is in the best interests of the Company and its shareholders to adopt this Clawback Policy (the “Policy”), which provides for the recovery of certain incentive compensation in the event of an Accounting Restatement (as defined below). This Policy is designed to comply with, and shall be interpreted to be consistent with, Section 10D of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), Rule 10D-1 promulgated under the Exchange Act (“Rule 10D-1”) and Nasdaq Listing Rule 5608 (the “Listing Standards”).

1. Administration. Except as specifically set forth herein, this Policy shall be administered by the Board or, if so designated by the Board, a committee thereof (the Board or such committee charged with administration of this Policy, the “Administrator”). The Administrator is authorized to interpret and construe this Policy and to make all determinations necessary, appropriate or advisable for the administration of this Policy. Any determinations made by the Administrator shall be final and binding on all affected individuals and need not be uniform with respect to each individual covered by the Policy. In the administration of this Policy, the Administrator is authorized and directed to consult with the Board or such other committees of the Board, as may be necessary or appropriate as to matters within the scope of such other committee’s responsibility and authority. Subject to applicable law, the Administrator may authorize and empower any officer or employee of the Company to take any and all actions necessary or appropriate to carry out the purpose and intent of this Policy (other than with respect to any recovery under this Policy involving such officer or employee).

2. Definitions. For purposes of this Policy, the following definitions shall apply:

(a) “Accounting Restatement” means an accounting restatement of the Company’s financial statements due to the Company’s material noncompliance with any financial reporting requirement under the securities laws, including any required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements (a “Big R” restatement), or that is not material to previously issued financial statements but would result in a material misstatement if the error were corrected in the current period or left uncorrected in the current period (a “little r” restatement).

(b) “Administrator” has the meaning set forth in Section 1 hereof.

(c) “Applicable Period” means the three completed fiscal years immediately preceding the date on which the Company is required to prepare an Accounting Restatement, as well as any transition period (that results from a change in the Company’s fiscal year) within or immediately following those three completed fiscal years (except that a transition period that comprises a period of at least nine months shall count as a completed fiscal year). The “date on which the Company is required to prepare an Accounting Restatement” is the earlier to occur of (i) the date the Board, a committee of the Board, or the officers of the Company authorized to take such action if Board action is not required, concludes, or reasonably should have concluded, that the Company is required to prepare an Accounting Restatement or (ii) the date a court, regulator or other legally authorized body directs the Company to prepare an Accounting Restatement, in each case regardless of if or when the restated financial statements are filed.

(d) “Covered Executives” means the Company’s current and former “officers,” as defined in Rule 16a-1(f) under the Exchange Act, which include the Company’s president, principal financial officer, principal accounting officer (or if there is no such accounting officer, the controller), any vice-president of the Company in charge of a principal business unit, division, or function (such as sales, administration, or finance), any other officer of the Company who performs a policy-making function, or any other person who performs similar policy-making functions for the Company.

(e) “Effective Date” means October 2, 2023 (the effective date of the Listing Standards).

(f) “Erroneously Awarded Compensation” has the meaning set forth in Section 5 of this Policy.

(g) “Financial Reporting Measure” is any measure that is determined and presented in accordance with the accounting principles used in preparing the Company’s financial statements, and any measure that is derived wholly or in part from such measure. Stock price and total shareholder return (“TSR”) (and any measures that are derived wholly or in part from stock price or TSR) shall, for purposes of this Policy, be considered Financial Reporting Measures. A Financial Reporting Measure need not be presented within the Company’s financial statements or included in a filing with the SEC.

(h) “Incentive-Based Compensation” means any compensation that is granted, earned or vested based wholly or in part upon the attainment of a Financial Reporting Measure.

(i) Incentive-Based Compensation is “received” for purposes of this Policy in the Company’s fiscal period during which the Financial Reporting Measure specified in the Incentive-Based Compensation award is attained, even if the payment or grant of such Incentive-Based Compensation occurs after the end of that period.

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

3. Covered Executives; Incentive-Based Compensation. This Policy applies to Incentive-Based Compensation received by a Covered Executive (a) after beginning services as a Covered Executive; (b) if that person served as a Covered Executive at any time during the performance period for such Incentive-Based Compensation; and (c) while the Company had a listed class of securities on a national securities exchange.

4. Required Recoupment of Erroneously Awarded Compensation in the Event of an Accounting Restatement. If the Company is required to prepare an Accounting Restatement, the Company shall reasonably promptly recoup the amount of any Erroneously Awarded Compensation received by any Covered Executive, as calculated pursuant to Section 5 hereof, during the Applicable Period. For the avoidance of doubt, recovery of Erroneously Awarded Compensation is on a “no fault” basis, meaning that it will occur regardless of whether the Covered Executive engaged in misconduct or was otherwise directly or indirectly responsible, in whole or in part, for the Accounting Restatement.

5. Erroneously Awarded Compensation: Amount Subject to Recovery. The amount of “Erroneously Awarded Compensation” subject to recovery under the Policy, as determined by the Administrator, is the amount of Incentive-Based Compensation received by the Covered Executive that exceeds the amount of Incentive Based Compensation that would have been received by the Covered Executive had it been determined based on the restated amounts included in the Accounting Restatement. This Policy is intended to apply broadly to Incentive-Based Compensation and, with respect to any compensation plans or programs that take into account Incentive-Based Compensation, the amount of Erroneously Awarded Compensation subject to recovery hereunder includes, but is not limited to, the amount contributed to any notional account based on Erroneously Awarded Compensation and any earnings accrued to date on that notional amount. Erroneously Awarded Compensation shall be computed by the Administrator without regard to any taxes paid by the Covered Executive in respect of the Erroneously Awarded Compensation. For Incentive-Based Compensation based on (or derived from) stock price or TSR, where the amount of Erroneously Awarded Compensation is not subject to recalculation from the information in the applicable Accounting Restatement: (a) the Administrator shall determine the amount of Erroneously Awarded Compensation based on a reasonable estimate of the effect of the Accounting Restatement on the stock price or TSR upon which the Incentive-Based Compensation was received; and (b) the Company shall maintain documentation of the determination of that reasonable estimate and provide such documentation to The Nasdaq Stock Market (“Nasdaq”).

6. Method of Recoupment. In event of an Accounting Restatement, the Administrator shall determine the amount of any Erroneously Awarded Compensation received by each Covered Executive and shall promptly deliver a written notice to each Covered Executive containing the amount of any Erroneously Awarded Compensation and a demand for the return or repayment of such compensation, as applicable. Thereafter, the Administrator shall determine, in its sole discretion, the timing and method for promptly recouping Erroneously Awarded Compensation hereunder, which may include without limitation (a) seeking reimbursement of all or part of any cash Incentive-Based Compensation previously paid, (b) seeking recovery of any gain realized on the vesting, exercise, settlement, sale, transfer, or other disposition of an equity-based awards, (c) cancelling prior cash or equity-based awards, whether vested or unvested or paid or unpaid, (d) cancelling or offsetting against any planned future cash or equity-based awards, and (e) any other method permitted by applicable law or contract. Subject to compliance with any applicable law, the Administrator may affect recovery under this Policy from any amount otherwise payable to the Covered Executive, including amounts payable to such individual under any otherwise applicable Company plan or program, including base salary, bonuses or commissions and compensation previously deferred by the Covered Executive.

7. Reimbursement of Recovery Expenses. If a Covered Executive fails to repay all Erroneously Awarded Compensation to the Company pursuant to the Company's written notification and demand, such Covered Executive shall be required to reimburse the Company for any and all expenses reasonably incurred (including legal fees) by the Company in recovering such Erroneously Awarded Compensation.

8. Duplicative Payment. To the extent that a Covered Executive has already reimbursed the Company for any Erroneously Awarded Compensation received under any duplicative recovery obligations established by the Company or applicable law, such reimbursed amount shall be credited to the amount of the Erroneously Awarded Compensation that is subject to recovery under this Policy.

9. Exemptions to Recovery of Erroneously Awarded Compensation. The Company is authorized and directed pursuant to this Policy to recoup Erroneously Awarded Compensation in compliance with this Policy unless the Compensation Committee of the Board (or in the absence of such a committee, a majority of the independent directors serving on the Board) has determined that recovery would be impracticable solely for the following limited reasons, and subject to the following procedural and disclosure requirements:

(a) The direct expense paid to a third party to assist in enforcing the Policy would exceed the amount to be recovered; or

(b) Recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of the Company, to fail to meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

Before concluding that it would be impracticable to recover any amount of Erroneously Awarded Compensation based on expense of enforcement under clause (a) above, the Company must make a reasonable attempt to recover such erroneously awarded compensation, document such reasonable attempt(s) to recover and provide that documentation to Nasdaq.

10. Prohibition of Indemnification and Insurance. Notwithstanding the terms of any indemnification or insurance policy or any contractual arrangement with any Covered Executive that may be interpreted to the contrary, the Company shall not indemnify or insure any Covered Executives against (a) the loss of any Erroneously Awarded Compensation, or (b) any claims relating to the Company's enforcement of its rights under this Policy, including any payment or reimbursement for the cost of third-party insurance purchased by any Covered Executives to fund potential obligations under this Policy. Further, the Company shall not enter into any agreement that exempts any Incentive-Based Compensation that is granted, paid, or awarded to an Executive Officer from the application of this Policy or that waives the Company's right to recovery of any Erroneously Awarded Compensation, and this Policy shall supersede any such agreement (whether entered into before, on or after the Effective Date).

11. Administrator Indemnification. Any members of the Administrator, and any other members of the Board who assist in the administration of this Policy, shall not be personally liable for any action, determination or interpretation made with respect to this Policy and shall be fully indemnified by the Company to the fullest extent under applicable law and Company policy with respect to any such action, determination or interpretation. The foregoing sentence shall not limit any other rights to indemnification of the members of the Board under applicable law or Company policy.

12. Effective Date; Retroactive Application. This Policy shall be effective as of the Effective Date. The terms of this Policy shall apply to any Incentive-Based Compensation that is received by Covered Executives on or after the Effective Date, even if such Incentive-Based Compensation was approved, awarded, granted or paid to Covered Executives prior to the Effective Date. Without limiting the generality of Section 6 hereof, and subject to applicable law, the Administrator may affect recovery under this Policy from any amount of compensation approved, awarded, granted, payable or paid to the Covered Executive prior to, on or after the Effective Date.

13. Amendment; Termination. The Board may amend, modify, supplement, rescind or replace all or any portion of this Policy at any time and from time to time in its discretion, and shall amend this Policy as it deems necessary to comply with applicable law or any rules or standards adopted by a national securities exchange on which the Company's securities are listed.

14. Other Recoupment Rights; Company Claims. The Board intends that this Policy shall be applied to the fullest extent of the law. Any right of recoupment under this Policy is in addition to, and not in lieu of, any other remedies or rights of recoupment that may be available to the Company under applicable law or pursuant to the terms of any similar policy in any employment agreement, equity award agreement, or similar agreement and any other legal remedies available to the Company. Any employment agreement, equity award agreement, compensatory plan or any other agreement or arrangement with a Covered Executive shall be deemed to include, as a condition to the grant of any benefit thereunder, an agreement by the Covered Executive to abide by the terms of this Policy. Nothing contained in this Policy, and no recoupment or recovery as contemplated by this Policy, shall limit in any respect (a) any claims, damages or other legal remedies the Company or any of its affiliates may have against a Covered Executive arising out of or resulting from any actions or omissions by the Covered Executive, or (b) the Company's right to take or not to take any action with respect to any Covered Executive's employment, (c) or, subject to Section 8, the obligation of the Chief Executive Officer or the Chief Financial Officer of the Company to reimburse the Company in accordance with Section 304 of the Sarbanes-Oxley Act of 2002, as amended.

15. Enforceability; Successors. This Policy shall be binding and enforceable against each of the Company's Covered Executives and their beneficiaries, heirs, executors, administrators or other legal representatives, whether or not such Covered Executive executed and delivers a written Clawback Policy Acknowledgement.

16. Mandatory Disclosure. The Company shall file this Policy and, in the event of an Accounting Restatement, will disclose information related to such Accounting Restatement in accordance with the requirements of the Federal securities laws, including the disclosure required by the applicable SEC filings.

Clawback Policy Acknowledgment

I, the undersigned, agree and acknowledge that I am fully bound by, and subject to, all of the terms and conditions of the Creative Realities, Inc. Clawback Policy (as may be amended, restated, supplemented or otherwise modified from time to time, the "Policy"). In the event of any inconsistency between the Policy and the terms of any employment agreement to which I am a party, or the terms of any compensation plan, program or agreement under which any compensation has been granted, awarded, earned or paid, the terms of the Policy shall govern. In the event it is determined by the Committee that any amounts granted, awarded, earned or paid to me must be forfeited or reimbursed to the Company, I will promptly take any action necessary to effectuate such forfeiture and/or reimbursement. Any capitalized terms used in this Acknowledgment without definition shall have the meaning set forth in the Policy.

Date: _____

By: _____

Name:

Title:

FOR IMMEDIATE RELEASE**Creative Realities Reports Fiscal 2024 Fourth Quarter Results***Record Year of Performance; Company on Track for Growth Acceleration*

LOUISVILLE, KY – March 14, 2025 – Creative Realities, Inc. (“Creative Realities,” “CRI,” or the “Company”) (NASDAQ: CREX), a leading provider of digital signage, media and AdTech solutions, today announced its financial results for the fiscal fourth quarter and year ended December 31, 2024.

Highlights:

- Fourth quarter revenue of \$11.0 million versus \$14.5 million in the prior-year period
- Gross profit of \$4.9 million for the three months ended December 31, 2024 versus \$7.5 million in the fourth quarter of fiscal 2023
- Adjusted EBITDA* of \$0.5 million for the fourth quarter of 2024 versus \$2.8 million in the prior-year period
- Annual recurring revenue (“ARR”) of approximately \$16.8 million at the end of the fourth quarter versus \$16.3 million at December 31, 2023.

“As anticipated, our fourth quarter hardware revenue was down due to the deployment timing of certain projects, while service revenue grew 6% year-over-year. This marked the end of our best year ever and, with an active pipeline of opportunities ahead of us, we’re on track for fiscal 2025 being another period of record performance,” said Rick Mills, Chief Executive Officer. “We continue to work towards resolving the contingent liabilities on our balance sheet – and are appreciative of the support shown by First Merchants Bank with regard to our credit facility – while looking to accelerate growth in the quarters to come. The recent launch of our AdLogic CPM+ platform is particularly exciting, as it offers an integrated, innovative solution that provides users the tools to deliver targeted, high-performing campaigns at significantly reduced costs, while also allowing CRI to benefit from advertising and additional SaaS revenue. We believe it’s a game-changer in the industry that can significantly enhance the in-store media experience. Going forward, we anticipate solid revenue growth, particularly in the second half, as new deployments come online. We remain focused on a strategy that leverages our unique capabilities to strengthen new business development initiatives, improve operating results, and drive shareholder value.”

*Adjusted EBITDA is a non-GAAP financial measure. A reconciliation is provided in the tables of this press release.

2024 Fourth Quarter Financial Results

Sales were \$11.0 million for the fiscal 2024 fourth quarter as compared to \$14.5 million in the same period in fiscal 2023. Hardware revenue was \$3.9 million, versus \$7.7 million in the prior-year period, while service revenue rose to \$7.2 million from \$6.8 million in fiscal 2023. Hardware sales were lower year-over-year primarily due to deployment timing.

Consolidated gross profit was \$4.9 million for the fiscal 2024 fourth quarter versus \$7.5 million in the prior-year period, and consolidated gross margin was 44.2% versus 51.8% in the fiscal 2023 fourth quarter. Gross margin on hardware revenue was 26.3% in fiscal 2024 as compared to 22.5% in the prior-year period, primarily reflecting product mix. Gross margin on service amounted to 53.9%, versus 85.2% in the fiscal 2023 fourth quarter, which was unusually high due to software subscription timing and service mix. The Company ended the 2024 fourth quarter with ARR of approximately \$16.8 million.

Sales and marketing expenses in the fourth quarter fell to \$1.4 million, versus \$1.6 million in the prior-year period, while general and administrative expenses rose to \$4.2 million versus \$3.9 in fiscal 2023.

The Company posted an operating loss of approximately \$0.7 million in the fourth quarter of fiscal 2024 compared to operating income of \$2.0 million in fiscal 2023. CRI reported a net loss of \$2.8 million, or \$(0.27) per diluted share, in the quarter ended December 31, 2024 versus net income of \$1.4 million, or \$0.14 per diluted share, in the prior-year period.

Adjusted EBITDA (defined later in this release) was \$0.5 million in the fourth quarter of 2024 as compared to \$2.8 million in the prior-year period.

Balance Sheet

As of December 31, 2024, the Company had cash on hand of approximately \$1.0 million, versus \$2.9 million at December 31, 2023. The Company had outstanding debt of approximately \$13.0 million as of December 31, 2024 versus \$15.1 million at the start of the fiscal year. As of the end of the fourth quarter, the trailing twelve-month gross and net leverage ratios utilizing Adjusted EBITDA were 2.59x and 2.39x, respectively, versus 2.97x and 2.40x at the beginning of 2024. Net debt is equal to the Company's outstanding debt less cash on hand.

Conference Call Details

The Company will host a conference call to review the results of the fourth quarter and full year of 2024, and provide additional commentary about recent performance, Monday, March 17, at 9:00 am Eastern Time, which will include prepared remarks and materials from management, followed by a live Q&A. The call will be hosted by Rick Mills, Chief Executive Officer, George Sautter, Chief Strategy Officer, and Ryan Mudd, Interim Chief Financial Officer.

Prior to the call, participants should register at <https://bit.ly/CREXearnings2024Q4>. Once registered, participants can use the weblink provided in the registration email to participate in the live webcast. An archived edition of the earnings conference call will also be posted on the Company's website later today and will remain available for one year.

Use of Non-GAAP Measures

Creative Realities, Inc. prepares its consolidated financial statements in accordance with United States generally accepted accounting principles ("GAAP"). In addition to disclosing financial results prepared in accordance with GAAP, the Company discloses information regarding "EBITDA" and "Adjusted EBITDA." CRI defines "EBITDA" as earnings before interest, income taxes, depreciation and amortization of intangibles. CRI defines "Adjusted EBITDA" as EBITDA excluding stock-based compensation, fair value adjustments and both cash and non-cash non-recurring gains and charges. EBITDA and Adjusted EBITDA are not measures of performance defined in accordance with GAAP. However, EBITDA and Adjusted EBITDA are used internally in planning and evaluating the Company's operating performance. Accordingly, management believes that disclosure of these metrics offers investors, bankers and other stakeholders an additional view of the Company's operations that, when coupled with the GAAP results, provides a more complete understanding of the Company's financial results. EBITDA and Adjusted EBITDA should not be considered as an alternative to net income/(loss) or to net cash used in operating activities as measures of operating results or liquidity. Our calculation of EBITDA and Adjusted EBITDA may not be comparable to similarly titled measures used by other companies, and the measures exclude financial information that some may consider important in evaluating the Company's performance. A reconciliation of GAAP net income/(loss) to EBITDA and Adjusted EBITDA is included in the accompanying financial schedules. For further information, please refer to Creative Realities, Inc.'s filings available online at www.sec.gov, including its Annual Report on Form 10-K for 2024 filed with the Securities and Exchange Commission.

About Creative Realities, Inc.

Creative Realities designs, develops and deploys digital signage-based experiences for enterprise-level networks utilizing its Clarity™, ReflectView™, and iShowroom™ Content Management System (CMS) platforms. The Company is actively providing recurring SaaS and support services across diverse vertical markets, including but not limited to retail, automotive, digital-out-of-home (DOOH) advertising networks, convenience stores, foodservice/QSR, gaming, theater, and stadium venues. In addition, the Company assists clients in utilizing place-based digital media to achieve business objectives such as increased revenue, enhanced customer experiences, and improved productivity. This includes the design, deployment, and day to day management of Retail Media Networks to monetize on-premise foot traffic utilizing its AdLogic™ and AdLogic CPM+™ programmatic advertising platforms.

Cautionary Note on Forward-Looking Statements

This press release contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, and includes, among other things, discussions of our business strategies, product releases, future operations and capital resources. Words such as "estimates," "projected," "expects," "anticipates," "forecasts," "plans," "intends," "believes," "seeks," "may," "will," "should," "future," "propose" and variations of these words or similar expressions (or the negative versions of such words or expressions) are intended to identify forward-looking statements. Forward-looking statements are not guarantees of future performance, conditions or results. They are based on the opinions, estimates and beliefs of management as of the date such statements are made, and they are subject to known and unknown risks, uncertainties, assumptions and other factors, many of which are outside of our control, 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. Some of these risks are discussed in the "Risk Factors" section contained in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023, and the Company's subsequent filings with the U.S. Securities and Exchange Commission. Important factors, among others, that may affect actual results or outcomes include: our strategy for customer retention, growth, product development, market position, financial results and reserves, our ability to execute on our business plan, our ability to retain key personnel, our ability to remain listed on the Nasdaq Capital Market, our ability to realize the revenues included in our future guidance and backlog reports, our ability to satisfy our upcoming debt obligations and other liabilities, the ability of the Company to continue as a going concern, potential litigation, supply chain shortages, and general economic and market conditions impacting demand for our products and services. Readers should not place undue reliance upon any forward-looking statements. We assume no 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.

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

	December 31, 2024	December 31, 2023
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,037	\$ 2,910
Accounts receivable, net	10,605	12,468
Inventories, net	1,995	2,567
Prepaid expenses and other current assets	859	665
Total Current Assets	14,496	18,610
Property and equipment, net	321	499
Goodwill	26,453	26,453
Other intangible assets, net	22,841	24,062
Operating lease right-of-use assets	787	1,041
Other non-current assets	312	112
Total Assets	\$ 65,210	\$ 70,777
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$ 6,354	\$ 7,876
Accrued expenses and other current liabilities	3,210	3,761
Deferred revenues	1,137	1,132
Customer deposits	2,181	3,233
Current maturities of operating leases	466	505
Short-term portion of related party term debt	-	3,690
Short-term portion of contingent consideration, at fair value	12,815	-
Total Current Liabilities	26,163	20,197
Revolving credit facility	13,044	-
Long-term related party term debt	-	9,829
Long-term obligations under operating leases	342	536
Long-term contingent consideration, at fair value	-	11,208
Other non-current liabilities	201	176
Total Liabilities	39,750	41,946
Shareholders' Equity		
Common stock, \$0.01 par value, 66,666 shares authorized; 10,447 and 10,409 shares issued and outstanding, respectively	104	104
Additional paid in capital	82,210	82,073
Accumulated deficit	(56,854)	(53,346)
Total Shareholders' Equity	25,460	28,831
Total Liabilities and Shareholders' Equity	\$ 65,210	\$ 70,777

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

	For the Three Months Ended December 31,		For the Year Ended December 31,	
	2024	2023	2024	2023
Sales				
Hardware	\$ 3,850	\$ 7,697	\$ 18,259	\$ 20,303
Services and other	7,162	6,761	32,595	24,863
Total sales	<u>11,012</u>	<u>14,458</u>	<u>50,854</u>	<u>45,166</u>
Cost of sales				
Hardware	2,839	5,966	13,521	15,280
Services and other	3,303	999	13,322	7,703
Total cost of sales	<u>6,142</u>	<u>6,965</u>	<u>26,843</u>	<u>22,983</u>
Gross profit	<u>4,870</u>	<u>7,493</u>	<u>24,011</u>	<u>22,183</u>
Operating expenses:				
Sales and marketing expenses	1,360	1,581	6,015	5,247
General and administrative expenses	4,224	3,936	17,058	15,590
Total operating expenses	<u>5,584</u>	<u>5,517</u>	<u>23,073</u>	<u>20,837</u>
Operating (loss) income	<u>(714)</u>	<u>1,976</u>	<u>938</u>	<u>1346</u>
Other expenses (income):				
Interest expense, including amortization of debt discount	296	668	1,775	2,992
(Gain) loss on change in fair value of contingent consideration	2,022	(42)	1,608	1,419
Loss on debt extinguishment	-	-	1,059	-
Other expense (income)	(74)	(79)	(102)	(211)
Total other expenses (income)	<u>2,244</u>	<u>547</u>	<u>4,340</u>	<u>4,200</u>
Net (loss) income before income taxes	<u>(2,958)</u>	<u>1,429</u>	<u>(3,402)</u>	<u>(2,854)</u>
Benefit (provision) for income taxes	120	(10)	(106)	(83)
Net (loss) income	<u>\$ (2,838)</u>	<u>\$ 1,419</u>	<u>\$ (3,508)</u>	<u>\$ (2,937)</u>
Basic (loss) income per common share	<u>\$ (0.27)</u>	<u>\$ 0.14</u>	<u>\$ (0.34)</u>	<u>\$ (0.35)</u>
Diluted (loss) income per common share	<u>\$ (0.27)</u>	<u>\$ 0.14</u>	<u>\$ (0.34)</u>	<u>\$ (0.35)</u>
Weighted average shares outstanding - basic	<u>10,447</u>	<u>10,409</u>	<u>10,440</u>	<u>8,479</u>
Weighted average shares outstanding - diluted	<u>10,447</u>	<u>10,409</u>	<u>10,440</u>	<u>8,479</u>

CREATIVE REALITIES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands, except share per share amounts)

	For the Years Ended December 31,	
	2024	2023
Operating Activities:		
Net loss	\$ (3,508)	\$ (2,937)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	4,078	3,221
Amortization of debt discount	569	1,443
Amortization of stock-based compensation	13	563
Amortization of deferred financing costs	63	-
Loss on extinguishment of debt	1,059	-
Bad debt expense	13	153
Provision for inventory reserves	(43)	109
Loss on change in fair value of contingent consideration	1,608	1,419
Deferred income taxes	61	44
Changes to operating assets and liabilities:		
Accounts receivable	1,850	(4,358)
Inventories	615	(409)
Prepaid expenses and other current assets	(194)	952
Accounts payable	(1,388)	4,486
Accrued expenses and other current liabilities	(395)	(47)
Deferred revenue	5	(91)
Customer deposits	(1,052)	755
Other, net	27	(136)
Net cash provided by operating activities	3,381	5,167
Investing activities		
Purchases of property and equipment	(11)	(306)
Capitalization of labor for software development	(2,790)	(3,721)
Net cash used in investing activities	(2,801)	(4,027)
Financing activities		
Proceeds from sale of common stock, net of offering expenses	-	5,454
Proceeds from borrowings under revolving credit facility	31,459	-
Repayment of borrowings under revolving credit facility	(18,415)	-
Payment of deferred financings costs	(306)	-
Repayment of term debt	(15,147)	(5,294)
Principal payments on finance leases	(44)	(23)
Net cash (used in) provided by financing activities	(2,453)	137
Increase (decrease) in Cash and Cash Equivalents	(1,873)	1,277
Cash and Cash Equivalents, beginning of year	2,910	1,633
Cash and Cash Equivalents, end of year	\$ 1,037	\$ 2,910

RECONCILIATION OF GAAP NET LOSS TO ADJUSTED EBITDA
(in thousands, unaudited)

Creative Realities, Inc. prepares its consolidated financial statements in accordance with United States generally accepted accounting principles (“GAAP”). In addition to disclosing financial results prepared in accordance with GAAP, the Company discloses information regarding “EBITDA” and “Adjusted EBITDA.” CRI defines “EBITDA” as earnings before interest, income taxes, depreciation and amortization of intangibles. CRI defines “Adjusted EBITDA” as EBITDA excluding stock-based compensation, fair value adjustments and both cash and non-cash non-recurring gains and charges.

EBITDA and Adjusted EBITDA are non-GAAP financial measures and should not be considered as a substitute for net income (loss), operating income (loss) or any other performance measure derived in accordance with United States generally accepted accounting principles (“GAAP”) or as an alternative to net cash provided by operating activities as a measure of CRI’s profitability or liquidity. CRI’s management believes EBITDA and Adjusted EBITDA are useful financial metrics because they allow external users of CRI’s financial statements, such as industry analysts, investors, lenders and rating agencies, to more effectively evaluate CRI’s operating performance, compare the results of its operations from period to period and against CRI’s peers without regard to CRI’s financing methods, hedging positions or capital structure and because it highlights trends in CRI’s business that may not otherwise be apparent when relying solely on GAAP measures. CRI also presents EBITDA and Adjusted EBITDA because it believes EBITDA and Adjusted EBITDA are important supplemental measures of its performance that are frequently used by others in evaluating companies in its industry. Because EBITDA and Adjusted EBITDA exclude some, but not all, items that affect net income (loss) and may vary among companies, the EBITDA and Adjusted EBITDA CRI presents may not be comparable to similarly titled measures of other companies.

The following table presents a reconciliation of EBITDA and Adjusted EBITDA from net loss, CRI’s most directly comparable financial measure calculated and presented in accordance with GAAP.

Quarters ended	Year Ended 2024	Quarters Ended			
		December 31, 2024	September 30, 2024	June 30, 2024	March 31, 2024
GAAP net (loss) income	\$ (3,508)	\$ (2,838)	\$ 54	\$ (615)	\$ (109)
Interest expense:					
Amortization of debt discount	569	-	-	209	360
Other interest, net	1,206	296	303	304	303
Depreciation/amortization:					
Amortization of intangible assets	3,877	1,128	1,081	878	790
Amortization of employee share-based awards	13	4	3	3	3
Depreciation of property and equipment	201	49	51	52	49
Income tax expense (benefit)	106	(120)	192	25	9
EBITDA	<u>\$ 2,464</u>	<u>\$ (1,481)</u>	<u>\$ 1,684</u>	<u>\$ 856</u>	<u>\$ 1,405</u>
Adjustments					
Loss (Gain) on fair value of contingent consideration	1,608	2,022	598	(408)	(604)
Loss on debt extinguishment	1,059	-	-	1,059	-
Other expense (income)	(102)	(74)	(11)	18	(35)
Adjusted EBITDA	<u>\$ 5,029</u>	<u>\$ 467</u>	<u>\$ 2,271</u>	<u>\$ 1,525</u>	<u>\$ 766</u>