Accelerize Inc.
Form 10-K
March 27, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2017

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 000-52635

ACCELERIZE INC.
(Exact name of registrant as specified in its charter)

Delaware	**20-3858769**
(State of Incorporation)	(I.R.S. Employer Identification No.)

20411 SW BIRCH STREET, SUITE 250

NEWPORT BEACH

CALIFORNIA 92660
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(949) 548-2253**

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

Securities registered pursuant to Section 12(g) of the Act: **Common Stock, par value $0.001**

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

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 [X]

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 [X] No [ ]

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company [X]
	Emerging growth company

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

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

The aggregate market value of the common equity voting shares of the registrant held by non-affiliates on June 30, 2017, the registrant's most recently completed second fiscal quarter, was $16,351,955. For purposes of this calculation, an aggregate of 10,776,526 shares of Common Stock were held by the directors and officers of the registrant on June 30, 2017 and have been included in the number of shares of Common Stock held by affiliates.

The number of the registrant's shares of Common Stock outstanding as of March 27, 2018: 65,939,709

In this Annual Report on Form 10-K, the terms the "Company," "Accelerize," "we," "us" or "our" refers to Accelerize Inc., unless the context indicates otherwise.

Documents Incorporated by Reference: None

CAUTIONARY STATEMENT CONCERNING FORWARD LOOKING STATEMENTS

THIS ANNUAL REPORT CONTAINS STATEMENTS WHICH CONSTITUTE FORWARD LOOKING STATEMENTS WITHIN THE MEANING OF THE FEDERAL SECURITIES LAWS. ALSO, WHENEVER WE USE WORDS SUCH AS "BELIEVE," "EXPECT," "ANTICIPATE," "INTEND," "PLAN," "ESTIMATE," "MAY," "PREDI "WILL," "POTENTIAL," OR SIMILAR EXPRESSIONS, WE ARE MAKING FORWARD LOOKING STATEMENTS. FOR EXAMPLE, WHEN WE DISCUSS OUR EXPECTATIONS THAT OUR REVENUES WILL INCREASE IN 2018, OUR INTENTIONS TO GROW REVENUES BY INVESTING IN SALES AND MARKETING EFFORTS, OUR SPENDING ON RESEARCH AND DEVELOPMENT, TRAINING, ACCOUNT MANAGEMENT AND SUPPORT PERSONNEL, THE INTERNET MARKET TRENDS, AND SPECIFICALLY, THE GROWTH IN ON-LINE ADVERTISING, PERFORMANCE BASED MARKETING, AND SOFTWARE-AS-A-SERVICE, AND OUR EXPECTATIONS BASED ON SUCH TRENDS, WE ARE USING FORWARD LOOKING STATEMENTS. THESE FORWARD LOOKING STATEMENTS ARE BASED UPON OUR PRESENT INTENT, BELIEFS OR EXPECTATIONS, BUT FORWARD LOOKING STATEMENTS ARE NOT GUARANTEED TO OCCUR AND MAY NOT OCCUR. ACTUAL RESULTS MAY DIFFER MATERIALLY FROM THOSE CONTAINED IN OR IMPLIED BY OUR FORWARD LOOKING STATEMENTS AS A RESULT OF VARIOUS FACTORS.

IMPORTANT FACTORS THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE IN OUR FORWARD LOOKING STATEMENTS INCLUDE, AMONG OTHERS, GENERAL MARKET CONDITIONS, INCLUDING WEAKNESS IN THE ECONOMY, REGULATORY DEVELOPMENTS AND OTHER CONDITIONS WHICH ARE NOT WITHIN OUR CONTROL.

OTHER RISKS MAY ADVERSELY IMPACT US, AS DESCRIBED MORE FULLY IN THIS ANNUAL REPORT UNDER "ITEM 1A. RISK FACTORS."

YOU SHOULD NOT PLACE UNDUE RELIANCE UPON FORWARD LOOKING STATEMENTS.

EXCEPT AS REQUIRED BY LAW, WE UNDERTAKE NO OBLIGATION TO UPDATE OR REVISE ANY FORWARD LOOKING STATEMENTS AS A RESULT OF NEW INFORMATION, FUTURE EVENTS OR OTHERWISE.

ACCELERIZE INC.

2017 ANNUAL REPORT ON FORM 10-K

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PART IV

PART I

Item 1. Business

Overview

We own and operate CAKE and getcake.com, a marketing technology company that provides a proprietary solution for advanced analytics, attribution and campaign optimization for digital marketers. Our powerful software-as-a service, or SaaS, is an enterprise solution that has been an industry standard for advertisers, agencies, networks and publishers to measurably analyze and improve digital advertising spend. We currently have over 500 customers driving billions of consumer actions monthly through the CAKE enterprise platform.

In late 2017, we introduced Journey by CAKE, a new product family created specifically for brand advertisers and digital agencies. Journey by CAKE is a cloud-based solution that collects and analyzes customer journey data using multi-touch attribution for marketing campaign optimization. Journey by CAKE delivers accurate and actionable insights about the previously missing steps of the anonymous customer journey. With this extended view into vital customer interactions, Journey provides the intelligence needed to move unknown consumers to known customers, boosting campaign performance and return on advertising spend (RoAS). The main features are: Insights, a centralized dashboard which provides valuable customer journey insights that drive real-time decisions; Attribution, campaign spend optimization based on positional and data-driven attribution of key steps in the customer journey; and Connections, seamless integrations with digital media and marketing tools which make collecting customer journey data easier than ever. Journey by CAKE enables brands to move beyond the confines of siloed data and provides customer journey analytics for marketers, in real time.

On January 12, 2017, we announced that the CAKE platform was significantly enhanced with a new unified technical architecture and platform to collect and support high-traffic volumes. Now our industry-leading technology not only gathers granular information about the customer path to conversion, but also leverages data science and machine learning to further understand and maximize RoAS. Additionally, our patent-pending algorithmic attribution for predictive analytics clearly and accurately show marketers how to optimize campaigns. These new capabilities enhance our existing rules-driven attribution to programmatically allow marketers to analyze complex customer journeys; arming advertisers with more actionable insights needed to effectively measure the true impact of each media channel and maximize revenue for any given level of spending.

The CAKE SaaS proprietary marketing platform is used by some of the world's leading companies and largest customer-base of enterprise performance marketing networks and advertisers. CAKE's platform is based on reliable, feature rich technology and is bolstered by the industry's leading customer service and top-tier technology partners, assuring the highest level of uptime.

On February 14, 2017, Gartner, Inc. once again named us as a Vendor to Watch in its "Magic Quadrant for Digital Marketing Hubs" report. This research is intended for chief marketing officers (CMOs), chief marketing technologists and other digital marketing leaders involved in the selection of core systems to support digital marketing business requirements. According to Gartner, our solution enables hub-like multichannel data management and onboarding capabilities. CAKE is for enterprise performance marketers looking to track attribution and optimize data-driven lead generation and customer acquisition through affiliate and other digital marketing channels.

Our revenue model is based on monthly recurring license fees, usually pursuant to an annual contract. The contracts typically include a prescribed volume of clicks, impressions, or other events, and are subject to overage charges for volumes in excess of the included amounts. We also charge training and implementation fees, and in certain cases, professional services fees and royalties. A majority of our revenue is derived from clients in the United States but we have seen a 13% year on year growth in our client base outside of the United States. During November 2012, we formed Cake Marketing UK Ltd, or the Subsidiary, a private limited company, which is our wholly-owned subsidiary located in the United Kingdom in order to better provide our services in the European market.

Our business is currently headquartered in Newport Beach, California, with operations in Santa Monica, California, London, England and New Delhi, India, allowing us to provide global support to our client base. The CAKE platform supports multiple languages and currencies so online marketers can track the performance of their marketing campaigns and better target their digital spend on a global scale.

Our training, support personnel, hosting and cloud-based infrastructure contribute to our cost of operating the business. We anticipate more spending in these areas while we continue to grow, and we can foresee some savings in infrastructure cost due to economies of scale. In addition, development resources were required to continue to enhance our products. Those resources were used to extend our software platform and to create deeper integrations to third-party technologies that include, but are not limited to, Google AdWords, Bing Ads, Facebook, DoubleClick Campaign Manager (DCM), Marketo and others.

We intend to continue to grow revenues by investing in sales, marketing, and product development and innovation. We allocated a portion of our marketing budget to being present at tradeshows, securing coverage in industry publications, and providing the support documentation required by sales initiatives. Additional efforts will be made to speak at industry events, write for media outlets and implement digital marketing campaigns, increasing awareness of the CAKE solutions and the thought leadership driving product development.

Our principal offices are located at 20411 SW Birch Street, Suite 250, Newport Beach, CA 92660. Our telephone number there is: (949) 548-2253. Our corporate website is: www.accelerize.com, the contents of which are not part of this annual report.

Our Common Stock is quoted on the OTCQB Marketplace under the symbol "ACLZ."

Industry and Market Opportunity

International Data Corporation, or IDC, research shows that worldwide spending on public cloud services and infrastructure will reach $122.5 billion for 2017, an increase of 24.4% over 2016. Over the 2015-2020 forecast period, overall public cloud spending will experience a 21.5% compound annual growth rate (CAGR) – nearly seven times the rate of overall IT spending growth. By 2020, IDC forecasts public cloud spending will reach $203.4 billion worldwide.
IDC predicts that by 2020, the cloud software model will account for $1 of every $3.51 spent on software.
The global mobile SaaS market will grow from $20.9 billion in 2016 to reach $37.9 billion by 2021, with a compound annual growth rate of 12.7% over the forecast period, according to Strategy Analytics.
Digital marketing spending worldwide is expected to increase from $200.8 billion in 2015 to $306 billion in 2020, according to a Technavio report.

Additional Characteristics

The business environment for our SaaS platform is characterized as follows:

Larger advertisers are evaluating mission-critical software, such as ours, to manage their online RoAS initiatives. Such companies are factoring whether it is more beneficial to them to either develop their own technology or license it from third-parties, such as us;
As the online performance-based market grows, there are new entrants as solution providers, who are competing mostly on price and less on richness of features and performance tools;

We believe that our existing and potential customer base continues to look for more measurable results as they expand their digital marketing campaigns in additional channels including social, display, video, search, mobile and more; and

We believe there are opportunities to increase our number of clients globally where companies are adopting and implementing digital marketing initiatives.

Our Solutions

We believe that our business depends upon the continuing increase of consumer and business use of the Internet and mobile devices as primary tools to facilitate research, communications and transactions.

We own and operate CAKE, and getcake.com, a marketing technology that provides a comprehensive suite of innovative marketing intelligence tools. Our powerful SaaS is an enterprise solution that has been an industry standard for advertisers, agencies, networks and publishers to measurably analyze and improve digital marketing spend. We currently have over 500 customers driving billions of consumer actions monthly through the CAKE enterprise platform.

Our newest product, Journey by CAKE, unifies the tracking, attribution and optimization of digital marketing spend across search, display, email, video, social, affiliate and other marketing channels. Journey by CAKE enables brands to move beyond the confines of siloed data and provides customer journey analytics for marketers, in real-time. Our industry-leading technology not only gathers granular information about the customer path to conversion, but also leverages data science and machine learning to further understand and maximize RoAS. Additionally, our patent-pending algorithmic attribution for predictive analytics clearly and accurately show marketers how to optimize campaigns. These new capabilities enhance our existing rules-driven attribution to programmatically allow marketers to analyze complex customer journeys; arming advertisers with more actionable insights needed to effectively measure the true impact of each media channel and maximize revenue for any given level of spending.

We leverage the expertise of the following third-party companies in providing our services:

Rackspace Hosting, which operates in the hosting and cloud computing industry. It provides information technology (IT) as a service, managing Web-based IT systems for small and medium-sized businesses, as well as large enterprises worldwide;
Amazon Web Services, which operates cloud computing hosting environments; and
Microsoft Corporation, which provides software and related platforms for commercial and private users.

How we market our services

We use our internal sales force to market CAKE and Journey by CAKE to digital marketers. Additionally, we market our software through www.getcake.com and www.marketingintelligence.com; attend industry trade shows and events; as well as implement public relations and content marketing campaigns.

Intellectual Property

Our employees are required to execute confidentiality and non-use agreements that transfer any rights they may have in copyrightable works or patentable technologies to us. In addition, prior to entering into discussions with potential business partners or customers regarding our business and technologies, we generally require that such parties enter into nondisclosure agreements with us. If these discussions result in a license or other business relationship, we also generally require that the agreement setting forth the parties' respective rights and obligations include provisions for the protection of our intellectual property rights. For example, the standard language in our agreements provides that we retain ownership of all patents and copyrights in our technologies and requires our customers to display our copyright and trademark notices.

On September 12, 2016, we filed a provisional patent application with the U.S Patent and Trademark Office covering technology of an algorithmic attribution analytics server and method. On July 26, 2017, we filed a provisional patent application with the U.S Patent and Trademark Office covering technology of a tuple-based method for data encoding and prediction for sequential data machine learning models. We also have a Service Mark (Reg. No. 4,225,522) issued on October 16, 2012 by the U.S. Patent and Trademark Office which consists of geometric shapes arranged to resemble a multi-layered slice of cake.

Competition

CAKE's products have specific competitors in each of the channels that we track and support. Competitors in the affiliate tracking industry include TUNE/HasOffers and HitPath. Impact Radius and Performance Horizon are privately-held companies with a performance and direct response advertising platform focused on retail tracking. Competitors in the mobile tracking sector include TUNE/Mobile App Tracking and AppsFlyer.

Competitors for Journey by CAKE are specific to the product's functionality. For attribution, our competitors include Google/Adometry, AOL/Convertro and Neilsen/Visual IQ. For analytics and data visualization competitors include Oragami Logic and Beckon. For advertisers that advertise within an affiliate channel, but that want direct relationships with their publishers, ADS/Conversant and Rakuten/Linkshare offer service-based solutions, but do not provide software.

Many of our SaaS competitors have significantly greater capital, technology, resources and brand recognition than we do. We differentiate from our competition by providing an enterprise-level, proprietary, cloud-based tracking, attribution and analytics solution. Most competitors have single channel solutions or have a services model.

Government Regulation

Although there are currently relatively few laws and regulations directly applicable to our software and the Internet, it is possible that new laws and regulations will be adopted in the United States and elsewhere. The adoption of restrictive laws or regulations could slow or otherwise affect Internet growth and the development or usage of our software. The application of existing laws and regulations governing Internet and software issues such as property ownership, libel and personal privacy is also subject to substantial uncertainty. There can be no assurance that current or new government laws and regulations, or the application of existing laws and regulations (including laws and regulations governing issues such as property ownership, taxation, defamation and personal injury) will not expose us to significant liabilities, slow Internet growth and the development or usage of our software or otherwise hurt us financially.

Employees

As of December 31, 2017, we had 93 full-time employees, including all of our executive officers. None of our employees are covered by collective bargaining agreements, and we believe our relationships with our employees to be good.

Item 1A. Risk Factors

Our business faces risks. If any of the events or circumstances described in the following risks actually occur, our business, financial condition or results of operations could suffer, and the trading price of our common stock could decline. Our investors and prospective investors should consider the following risks and the information contained under the heading "Cautionary Statement Concerning Forward Looking Statements" before deciding to invest in our common stock.

Our resources are limited and it may impact how we implement our growth strategy which may impact our operations.

Our resources are limited. Our working capital deficiency at December 31, 2017 amounts to approximately $3,601,000. As we implement our growth strategy, poor strategic design or execution could impact negatively our operations and our cash flows. We expect that our expenses will continue to increase as we continue to develop and implement our products and services. Our capital requirements may vary materially from those currently planned if, for example, we incur unforeseen capital expenditures, incur unforeseen operating expenses, or make investments to maintain our competitive position. If this is the case, we may have to delay or abandon some or all of our development plans or otherwise forego market opportunities. We will need to generate significant revenues to be profitable in the future, and we may not generate sufficient revenues to be profitable on either a quarterly or annual basis in the future.

We have a history of losses.

We have a history of losses and negative cash flows from operations. We had a net loss of approximately $2.4 million in 2017 and a net loss of approximately $3.9 million in 2016. Our operations have been financed primarily through proceeds from the issuance of equity and use of a credit facility. We may continue to incur losses in the future.

We have substantial indebtedness.

We currently have, and will likely continue to have, a substantial amount of indebtedness. Our indebtedness could, among other things, make it more difficult for us to satisfy our debt obligations, require us to use a large portion of our cash flow from operations to repay and service our debt or otherwise create liquidity problems, limit our flexibility to adjust to market conditions, place us at a competitive disadvantage and expose us to interest rate fluctuations. As of December 31, 2017, we had total debt outstanding of approximately $9.3 million, of which $5.0 million is long term and $4.3 million is short term.

We expect to obtain the money to pay our expenses and pay the principal and interest on our indebtedness and tax liabilities from cash flow from our operations and potentially from securities offerings. Accordingly, our ability to meet our obligations depends on our future performance and capital raising activities, which will be affected by financial, business, economic and other factors, many of which are beyond our control. If our cash flow and capital resources prove inadequate to allow us to pay the principal and interest on our debt and meet our other obligations, we could face substantial liquidity problems and might be required to dispose of material assets or operations, restructure or refinance our debt, which we may be unable to do on acceptable terms, and forego attractive business opportunities. In addition, the terms of our existing or future debt agreements may restrict us from pursuing any of these alternatives.

Our quarterly financial results will fluctuate, making it difficult to forecast our results of operation.

Our revenues and operating results may vary significantly from quarter to quarter due to a number of factors, many of which are beyond our control, including:

Variability in demand and usage for our products and services;

Market acceptance of new and existing services offered by us, our competitors and potential competitors; and

Governmental regulations affecting the use of the Internet, including regulations concerning intellectual property rights and security features.

Our current and future levels of expenditures are based primarily on our growth plans and estimates of expected future revenues. If our operating results fall below the expectation of investors, our stock price will likely decline significantly.

We face risks related to the macro economy.

Continued uncertainty in global economic conditions continues to pose a risk to the overall economy and has adversely affected the online advertising market, which is now highly competitive. These economic conditions have impacted consumer confidence and customer demand for our products, as well as our ability to borrow money to finance our operations, to maintain our key employees, and to manage normal commercial relationships with our customers, suppliers and creditors. For example, customers have spent less on online advertising and other services. Although the economic outlook has improved since the credit crisis, if a worsening of current conditions or another economic crisis were to occur, our business and results of operations will continue to be negatively impacted.

We face intense competition from other software providers.

We compete with many software providers for consumers' attention and spending. Our competitors may have substantially greater capital, longer operating histories, greater brand recognition, larger customer bases and significantly greater financial, technical and marketing resources than we do. Our competitors may also engage in more extensive development of their technologies and may adopt more comprehensive marketing and advertising campaigns than we can. Our competitors may develop products and service offerings that we do not offer or that are more sophisticated or more cost effective than our own. For these and other reasons, our competitors' products and services may achieve greater acceptance in the marketplace than our own, limiting our ability to gain market share and customer loyalty and to generate sufficient revenues to achieve a profitable level of operations. Our failure to adequately address any of the above factors could harm our business and operating results.

In addition, as the barriers to entry in our market segment are not substantial, an unlimited number of new competitors could emerge, thereby making our goal of establishing a market presence even more difficult. Because our management expects competition in our market segment to continue to intensify, there can be no assurances we will ever establish a competitive position in our market segment.

Our software may not be successful in gaining market acceptance.

We have invested a substantial amount of time and money in developing and launching our proprietary platform which has resulted in annual revenues of approximately $24.1 million in 2017. We may have difficulties in reaching market acceptance due to potential technical delays and malfunctions which may result in additional expenses and our continual increase in market acceptance will require additional sales, marketing and other customer-acquisition support expenses.

If we are unable to attract new customers or sell additional services and functionality to our existing customers, our revenue growth will be adversely affected.

To increase our revenues, we must add new customers, encourage existing customers to renew their license agreements on terms favorable to us, increase their usage of our solutions, and sell additional functionality to existing customers. As our industry matures, as interactive channels develop further, or as competitors introduce lower cost and/or differentiated products or services that are perceived to compete with ours, our ability to sell and renew based on pricing, technology and functionality could be impaired. As a result, we may be unable to renew our agreements with existing customers or attract new customers or new business from existing customers on terms that would be favorable or comparable to prior periods, which could have an adverse effect on our revenue and growth, as well as our profitability and financial condition.

We may not be successful in increasing our brand awareness.

We believe that developing and maintaining awareness of the CAKE brand is critical to achieving widespread acceptance of our existing and future services and is an important element in attracting new customers. In order to build brand awareness, we must succeed in our marketing efforts and provide high quality services. Our efforts to build our brand will involve significant expense. Brand promotion activities may not yield increased revenue, and even if they do, any increased revenue may not offset the expenses we incurred in building our brand. If we fail to successfully promote and maintain our brand, or incur substantial expenses in an unsuccessful attempt to promote and maintain our brand, we may fail to attract enough new customers or retain our existing customers to the extent necessary to realize a sufficient return on our brand-building efforts, and our business could suffer.

We may not be successful in improving our existing products or in developing new products.

We are continuously developing and testing new products and proposed enhancements to our SaaS platform, some of which are still in the planning stage or in relatively early stages of development. Our success will depend in part on our ability to timely introduce new products into the marketplace. We must commit considerable time, effort and resources to complete development of our proposed products, service tools and product enhancements. Our product development efforts are subject to all of the risks inherent in the development of new products and technology, including unanticipated delays, expenses and difficulties, as well as the possible insufficiency of funding to complete development.

Our product development efforts may not be successfully completed. In addition, proposed products may not satisfactorily perform the functions for which they are designed, they may not meet applicable price or performance objectives and unanticipated technical or other problems may occur which result in increased costs or material delays in development. Despite testing by us and by potential end users, problems may be found in new products, tools and services after the commencement of commercial delivery, resulting in loss of, or delay in, market acceptance and other potential damages.

We may not be successful in developing new and enhanced services and features for our software.

Our market is characterized by rapidly changing technologies, evolving industry standards, frequent new product and service introductions and changing customer demands. To be successful, we must adapt to the rapidly changing market by continually enhancing our existing services and adding new services to address customers' changing demands. We could incur substantial costs if we need to modify our services or infrastructure to adapt to these changes. Our business could be adversely affected if we were to incur significant costs without generating related revenues or if we cannot adapt rapidly to these changes. Our business could also be adversely affected if we experience difficulties in introducing new or enhanced services or if these services are not favorably received by users. We may experience technical or other difficulties that could delay or prevent us from introducing new or enhanced services.

We depend on receipt of timely feeds from our content providers.

We depend on Web browsers, ISPs and online service providers to provide access over the Internet to our product and service offerings. Many of these providers have experienced significant outages or interruptions in the past, and could experience outages, delays and other difficulties due to system failures unrelated to our systems. These types of interruptions could continue or increase in the future.

We rely on third-party computer hardware and software that may be difficult to replace or which could cause errors or failures of our service.

We rely on computer hardware purchased or leased and software licensed from third parties in order to offer our services, including database software from Microsoft Corporation, and servers hosted at Rackspace Hosting, Inc. and Amazon Web Services. This hardware and software may not continue to be available to us at reasonable prices, or on commercially reasonable terms, or at all. Any loss of the right to use any of this hardware or software could significantly increase our expenses and otherwise result in delays in the provisioning of our service until equivalent technology is either developed by us, or, if available, is identified, obtained and integrated, which could harm our business. Any errors or defects in third-party hardware or software could result in errors or a failure of our service which could harm our business.

If our security measures are breached and unauthorized access is obtained to a customer’s data or our data or our information technology systems, our service may be perceived as not being secure, customers may curtail or stop using our service and we may incur significant legal and financial exposure and liabilities.

Our service involves the storage and transmission of customers’ proprietary information, and security breaches could expose us to a risk of loss of this information, and to litigation and possible liability. These security measures may be breached as a result of third-party action, including intentional misconduct by computer hackers, by employee error, malfeasance or otherwise, during the transfer of data to additional data centers or at any time, and may result in someone obtaining unauthorized access to our customers’ data or our data, including our intellectual property and other confidential business information, or our information technology systems. Additionally, third parties may attempt to fraudulently induce employees or customers into disclosing sensitive information such as user names, passwords or other information in order to gain access to our customers’ data or our data, including our intellectual property and other confidential business information, or our information technology systems. Because the techniques used to obtain unauthorized access, or to sabotage systems, change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. In addition, our customers may authorize third party technology providers, via our various Application Programming Interfaces, to access their customer data. Because we do not control the transmissions between our customers and third-party technology providers, or the processing of such data by third-party technology providers, we cannot ensure the complete integrity or security of such transmissions or processing. Any security breach could result in a loss of confidence in the security of our service, damage our reputation, disrupt our business, lead to legal liability and negatively impact our future sales.

Interruptions or delays in service from our third-party data center hosting facilities could impair the delivery of our service and harm our business.

We currently serve our customers from third-party data center hosting facilities located in the United States, London, Tokyo, Ireland, Germany, Brazil and Singapore. Any damage to, or failure of, our systems generally could result in interruptions in our service. As we continue to add data centers and add capacity in our existing data centers, we may move or transfer our data and our customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our service. Further, any damage to, or failure of, our systems generally could result in interruptions in our service. Interruptions in our service may reduce our revenue, cause us to issue credits or pay penalties, cause customers to terminate their subscriptions and may adversely affect our renewal rates and our ability to attract new customers. Our business will also be harmed if our customers and potential customers believe our service is unreliable.

As part of our current disaster recovery arrangements, our production environment and all of our customers' data is currently backed up and mirrored in near real-time to offsite storage. We do not control the operation of any of these facilities, and they are vulnerable to damage or interruption from earthquakes, floods, fires, power loss, telecommunications failures and similar events. They may also be subject to break-ins, sabotage, intentional acts of vandalism and similar misconduct. Despite precautions taken at these facilities, the occurrence of a natural disaster or an act of terrorism, a decision to close the facilities without adequate notice or other unanticipated problems at these facilities could result in lengthy interruptions in our service. Even with the disaster recovery arrangements, our service could be interrupted.

Defects or disruptions in our service could diminish demand for our service and subject us to substantial liability.

Our service is complex and we have incorporated a variety of new computer hardware and software, both developed in-house and acquired from third party vendors. As a result, our service may have errors or defects that users identify after they begin using it that could result in unanticipated downtime for our subscribers and harm our reputation and our business. Internet-based services frequently contain undetected errors when first introduced or when new versions or enhancements are released. We have from time to time found defects in our service and new errors in our existing service may be detected in the future. In addition, our customers may use our service in unanticipated ways that may cause a disruption in service for other customers attempting to access their data. Since our customers use our service for important aspects of their business, any errors, defects, disruptions in service or other performance problems with our service could hurt our reputation and may damage our customers' businesses. If that occurs, customers could elect not to renew, or delay or withhold payment to us, we could lose future sales or customers may make warranty or other claims against us, which could result in an increase in our provision for doubtful accounts, an increase in collection cycles for accounts receivable or the expense and risk of litigation.

Our future performance and success depends on our ability to retain our key personnel.

Our future performance and success is heavily dependent upon the continued active participation of our current senior management team, including our President and Chief Executive Officer, Brian Ross, our Chief Financial Officer, Anthony Mazzarella, our Chief Operating Officer and President of our CAKE division, Santi Pierini, our Senior Vice President of Product Development, Paul Dumais, and our General Counsel and Secretary, Damon Stein. The loss of any of their services could have a material adverse effect on our business development and our ability to execute our growth strategy, resulting in loss of sales and a slower rate of growth. We do not maintain any "key person" life insurance for any of our employees.

We may be subject to infringement claims on proprietary rights of third parties for software and other content that we distribute or make available to our customers.

We may be liable or alleged to be liable to third parties for software and other content that we distribute or make available to our customers:

If the content or the performance of our services violates third party copyright, trademark, or other intellectual property rights; or

If our customers violate the intellectual property rights of others by providing content through our services.

Any alleged liability could harm our business by damaging our reputation. Any alleged liability could also require us to incur legal expenses in defense and could expose us to awards of damages and costs including, but not limited to, treble damages for willful infringement, and would likely divert management's attention which could have an adverse effect on our business, results of operations and financial condition.

We cannot assure you that third parties will not claim infringement by us with respect to past, current, or future technologies. Participants in our markets may be increasingly subject to infringement claims as the number of services and competitors in our industry segment grows. In addition, these risks are difficult to quantify in light of the continuously evolving nature of laws and regulations governing the Internet. Any claim relating to proprietary rights, whether meritorious or not, could be time-consuming, result in costly litigation, cause service upgrade delays or require us to enter into royalty or licensing agreements, and we cannot assure you that we will have adequate insurance coverage or that royalty or licensing agreements will be available on terms acceptable to us or at all. Further, we plan to offer our services and applications to customers worldwide, including to customers in foreign countries that may offer less protection for our intellectual property than the United States. Our failure to protect against misappropriation of our intellectual property and claims against us that we are infringing the intellectual property of third parties could have a negative effect on our business, revenues, financial condition and results of operations.

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Evolving government regulation could adversely affect our business prospects.

We do not know with certainty how existing laws governing issues such as property ownership copyright and other intellectual property issues, taxation, illegal or obscene content, retransmission of media, personal privacy and data protection will apply to the Internet or to the distribution of multimedia and other proprietary content over the Internet. Most of these laws were adopted before the advent of the Internet and related technologies and therefore do not address the unique issues associated with the Internet and related technologies. Depending on how these laws developed and are interpreted by the judicial system, they could have the effect of:

Limiting the growth of the Internet;

Creating uncertainty in the marketplace that could reduce demand for our products and services;

Increasing our cost of doing business;

Exposing us to significant liabilities associated with content distributed or accessed through our products or services; or

Leading to increased product and applications development costs, or otherwise harm our business.

Because of this rapidly evolving and uncertain regulatory environment, both domestically and internationally, we cannot predict how existing or proposed laws and regulations might affect our business.

In addition, as Internet commerce continues to evolve, increasing regulation by federal, state or foreign agencies becomes more likely. For example, we believe increased regulation is likely in the area of data privacy, and laws and regulations applying to the solicitation, collection, processing or use of personal or consumer information could affect our customers' ability to use and share data, potentially reducing demand for our software solutions and restricting our ability to store, process and share data with our customers. In addition, taxation of services provided over the Internet or other charges imposed by government agencies or by private organizations for accessing the Internet may also be imposed. Any regulation imposing greater fees for Internet use or restricting information exchange over the Internet could result in a decline in the use of the Internet and the viability of Internet-based services, which could harm our business.

Dilutive securities may adversely impact our stock price.

As of March 27, 2018, the following securities exercisable into shares of our Common Stock were outstanding:

11,469,341 shares of Common Stock issuable pursuant to the exercise of warrants

8,302,500 shares of Common Stock issuable pursuant to the exercise of options

These securities represent, as of March 27, 2017, approximately 23% of our Common Stock on a fully diluted, as exercised basis. 6,750,000 of the shares of Common Stock issuable pursuant to the exercise of warrants are beneficially owned by our management. The exercise of any of these options or warrants, both of which have fixed prices, may materially adversely affect the market price of our Common Stock and will have a dilutive effect on our existing stockholders.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, current and potential stockholders could lose confidence in our financial reporting, which would harm the value of our stock.

Effective internal control over financial reporting is necessary for us to provide reliable financial reports, effectively prevent fraud and operate as a public company. We have, in the past, discovered and may, in the future, discover areas of our internal control over financial reporting that needs improvement. If we are unable to adequately maintain or improve our internal control over financial reporting, we may report that our internal controls are ineffective. If we cannot provide reliable financial reports or prevent fraud, our reputation and operating results would be negatively impacted. Ineffective internal control over financial reporting could also cause investors to lose confidence in our reported financial information which could have a negative effect on the market price of our Common Stock and which could result in regulatory proceedings against us by, among others, the SEC.

We have not voluntarily implemented various corporate governance measures, in the absence of which stockholders may have more limited protections against interested director transactions, conflicts of interest and similar matters.

Federal legislation, including the Sarbanes-Oxley Act of 2002 and The Dodd Frank Wall Street Reform and Consumer Protection Act, has resulted in the adoption of various corporate governance measures designed to promote the integrity of the corporate management and the securities markets. Some of these measures have been adopted in response to legal requirements. Others have been adopted by companies in response to the requirements of national securities exchanges, such as the New York Stock Exchange or the Nasdaq Stock Market. Among the corporate governance measures that are required under the rules of national securities exchanges are those that address the board of directors' independence, audit committee oversight, and the adoption of a code of ethics. We have not yet adopted some of these corporate governance measures and, since our securities are not listed on a national securities exchange, we are not required to do so. We have not adopted corporate governance measures such as an audit committee or other independent committees of our Board of Directors. In the absence of audit, nominating and compensation committees comprised of at least a majority of independent directors, decisions concerning matters such as compensation packages to our senior officers and recommendations for director nominees may be made by a majority of directors who have an interest in the outcome of the matters being decided. Prospective investors should bear in mind our current lack of corporate governance measures in formulating their investment decisions.

The limited market for our Common Stock will make our stock price more volatile. Therefore, you may have difficulty selling your shares.

The market for our Common Stock is limited and we cannot assure you that a larger market will ever be developed or maintained. Currently, our Common Stock is quoted on the OTCQB Marketplace. Securities quoted on the OTCQB Marketplace typically have low trading volumes. Market fluctuations and volatility, as well as general economic, market and political conditions, could reduce our market price. As a result, this may make it difficult or impossible for our shareholders to sell our Common Stock.

There are generally no restrictions on the resale of our outstanding Common Stock. Sales by existing shareholders may depress the share price of our Common Stock and may impair our ability to raise additional capital through the sale of equity securities when needed.

The possibility that substantial amounts of outstanding Common Stock may be sold in the public market may adversely affect prevailing market prices for our Common Stock. This could negatively affect the market price of our Common Stock and could impair our ability to raise additional capital through the sale of equity securities.

Sales of shares of our Common Stock to the public may adversely impact our stock price.

Sales of shares of our Common Stock in the public market, or the perception that these sales might occur, could depress the market price of our Common Stock and may make it more difficult for our stockholders to sell their common stock at desirable prices. We are unable to predict the effect that sales may have on the prevailing market price of our Common Stock.

Some of the shares issued and options granted under our stock plan may have been issued in transactions that were not exempt from registration under certain state securities laws, the result of which is that the holders of these shares and/or options may have rescission rights that could require us to reacquire the shares and/or options.

Some of the shares issued and options granted under our equity compensation plan may not have been exempt from registration or qualification under the securities laws of certain states. We recently became aware that we may not have had a valid exemption for the issuance of these options and shares exercised upon exercise of these options under certain state laws. Because of the lack of registration and, potentially, the lack of a valid exemption from registration, the options we granted and the shares issued upon exercise of these options may have been issued in violation of certain state securities laws and may be subject to rescission.

If such shares and options are subject to rescission, we could be required to make payments to the holders of these shares and options in an amount not yet determinable by us. If any or all of the offerees reject the rescission offer, we may continue to be liable under state securities laws for payments to the offerees. If it is determined that we offered securities without properly registering them under state law, or securing an exemption from registration, regulators could impose monetary fines or other sanctions as provided under these laws.

Our Common Stock is subject to the “penny stock” rules of the SEC, and the trading market in our Common Stock is limited. This makes transactions in our Common Stock cumbersome and may reduce the value of your shares.

The SEC has adopted Rule 3a51-1 which establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, Rule 15g-9 requires:

that a broker or dealer approve a person's account for transactions in penny stocks; and
the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must:

Obtain financial information and investment experience objectives of the person; and
make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form:

sets forth the basis on which the broker or dealer made the suitability determination; and
that the broker or dealer received a signed, written statement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our Common Stock and cause a decline in its market value.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

We could become subject to litigation that could be costly, result in the diversion of management's attention and require us to pay damages.

From time to time, we may become involved in legal proceedings. Though we are not currently subject to any such proceedings, adverse outcomes in such proceedings may result in significant monetary damages or injunctive relief that could adversely affect our ability to conduct our business and could divert management's attention.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

In August 2017, we entered into an amendment to our original January 2014 lease agreement with Ferrado Bayview, LLC relating to the lease of our current office space at 20411 SW Birch Street, Newport Beach, California 92660. Pursuant to the lease amendment, effective March 1, 2018, the premises shall be expanded to include an additional 1,332 usable square feet such that the premises shall consist of 11,728 usable square feet in the aggregate. In addition, pursuant to the terms of the lease amendment, we extended the term of the lease agreement until June 30, 2023. Commencing on March 1, 2018, the initial base rent for the premises will be $38,702 per month for the first year and increasing to $44,566 per month by the end of the term.

In October 2016, we entered into an office sublease agreement, as an amendment to our original sublease agreement of May 2014, to lease 1,589 usable square feet of additional office space adjacent to our corporate headquarters in Newport Beach. The sublease was for a term of 21 months, commenced on June 1, 2016 and ended in February 2018. The initial base rent for the sublease was $4,131 per month. We also paid a 5.33% share of the premises' operating expense over the term of the sublease.

In July 2014, our Subsidiary entered into a five-year lease for certain office space in a business center in London, England, which commenced on July 30, 2014. The base rent is GBP 89,667 (approximately $120,000) per year and the estimated service charges for the lease are GBP 45,658 (approximately $60,000) per year. We moved the business of our Subsidiary into this space during July 2014.

In August 2017, we entered into a one-year lease for approximately 1,095 square feet of office space in Santa Monica, California. This facility is used for administrative purposes. Under the terms of the lease, we are required to pay a monthly base rent of $1,000 and an additional monthly rent of $100 for operating expenses.

We believe that our current leases are adequate and sufficient for our needs in the immediate future.

Item 3. Legal Proceedings.

From time to time, we may become involved in legal proceedings arising in the ordinary course of our business. We are not presently a party to any legal proceedings that we currently believe, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, financial condition or cash flows.

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.

Our Common Stock is quoted on the OTCQB Marketplace under the symbol “ACLZ.” The following table sets forth the high and low bid quotations for the Common Stock as reported on the OTCQB for each quarter during the last two fiscal years. These quotations reflect prices between dealers, do not include retail mark-ups, markdowns, and commissions and may not necessarily represent actual transactions.

Fiscal Year Ended December 31, 2016	High	Low
Quarter Ended March 31, 2016	$0.50	$0.28
Quarter Ended June 30, 2016	$0.49	$0.21
Quarter Ended September 30, 2016	$0.52	$0.26
Quarter Ended December 31, 2016	$0.55	$0.29

Fiscal Year Ended December 31, 2017	High	Low
Quarter Ended March 31, 2017	$0.58	$0.33
Quarter Ended June 30, 2017	$0.39	$0.28
Quarter Ended September 30, 2017	$0.38	$0.26
Quarter Ended December 31, 2017	$0.32	$0.25

Stockholders

As of March 27, 2017, there were 696 stockholders of record of our Common Stock.

Dividend Policy

We have not declared or paid any cash dividends on our Common Stock since inception and we do not intend to pay any cash dividends on our Common Stock in the foreseeable future. We intend to retain any future earnings for use in the operation and expansion of our business. Any future decision to pay dividends on Common Stock will be at the discretion of our Board of Directors and will be dependent upon our fiscal condition, results of operations, capital requirements and other factors our Board of Directors may deem relevant.

Unregistered Issuance of Securities

On December 14, 2017, we sold to an investor 416,667 shares of our Common Stock at a purchase price of $0.30 per share. This sale was exempt from registration pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended, or the Securities Act, and Rule 506(b) of Regulation D promulgated thereunder, as not involving any public offering.

Item 6. Selected Financial Data.

Not applicable.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

The following information should be read in conjunction with our financial statements and accompanying notes included in this Annual Report on Form 10-K.

Overview

We own and operate CAKE and getcake.com, a marketing technology company that provides a proprietary solution for advanced analytics, attribution and campaign optimization for digital marketers. Our powerful software-as-a service, or SaaS, is an enterprise solution that has been an industry standard for advertisers, agencies, networks and publishers to measurably analyze and improve digital advertising spend. We currently have over 500 customers driving billions of consumer actions monthly through the CAKE enterprise platform.

Our revenue model is based on monthly recurring license fees, usually pursuant to an annual contract. The contracts typically include a prescribed volume of clicks, impressions, or other events, and are subject to overage charges for volumes in excess of the included amounts. We also charge training and implementation fees, and in certain cases, professional services fees and royalties. A majority of our revenue is derived from clients in the United States but we have seen a 13% year on year growth in our client base outside of the United States.

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Our training, support personnel, hosting and cloud-based infrastructure contribute to our cost of operating the business. We anticipate more spending in these areas while we continue to grow, and we can foresee some savings in infrastructure cost due to economies of scale. In addition, development resources were required to continue to enhance our products. Those resources were used to extend our software platform and to create deeper integrations to third-party technologies that include, but are not limited to, Google AdWords, Bing Ads, Facebook, DoubleClick Campaign Manager (DCM), Marketo and others.

We intend to continue to grow revenues by investing in sales, marketing, and product development and innovation. We allocated a portion of our marketing budget to being present at tradeshows, securing coverage in industry publications, and providing the support documentation required by sales initiatives. Additional efforts will be made to speak at industry events, write for media outlets and implement digital marketing campaigns, increasing awareness of the CAKE solutions and the thought leadership driving product development.

Results of Operations

ACCELERIZE INC.

CONSOLIDATED RESULTS OF OPERATIONS

	Years Ended December 31, 2017	2016	Increase/ (Decrease) in $ 2017 vs 2016	Increase/ (Decrease) in % 2017 vs 2016
Revenue:	$24,104,624	$23,753,446	351,178	1.5 %
Cost of revenues	9,066,896	8,230,420	836,476	10.2 %
Gross Profit	15,037,728	15,523,026	(485,298)	-3.1 %
Operating expenses:				
Research and development	4,414,112	4,023,879	390,233	9.7 %
Sales and marketing	4,378,588	3,606,875	771,713	21.4 %
General and administrative	7,349,754	8,343,849	(994,095)	-11.9 %
Litigation settlement	-	2,200,000	(2,200,000)	100.0 %
Total operating expenses	16,142,454	18,174,603	(2,032,149)	-11.2 %

Operating loss	(1,104,726)	(2,651,577)	(1,546,851)	-58.3	%
Other income (expense):					
Other income	748	20,833	(20,085)	-96.4	%
Interest expense	(1,214,476)	(1,220,840)	6,364	0.5	%
Loss on extinguishment of debt	(106,034)	-	(106,034)	100.0	%
Total other (expense)	(1,319,762)	(1,200,007)	119,755	10.0	%
Net loss	$(2,424,488)	$(3,851,584)	$(1,427,096)	-37.1	%

Revenues

	Years ended December 31, 2017	2016	% Change	
Revenues	$24,104,624	$23,753,446	1.5	%

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We generate revenues from monthly recurring license fees, overage fees (based on volume of clicks, impressions, or leads), training and implementation fees, and in certain cases, professional services fees and royalties. Our revenue breakdown for 2017 and 2016 were as follows.

	Years ended December 31, 2017	2016	% Change
License	$19,493,173	$18,326,571	6.4 %
Overage	3,672,219	3,721,078	-1.3 %
Other	939,232	1,705,797	-44.9 %
Total	$24,104,624	$23,753,446	1.5 %

The increase in our software licensing revenues during 2017, when compared to the prior year, is due to the increased number of customers using our SaaS products and services, as well as increased monthly revenues from our existing customers resulting from greater adoption and higher usage of our SaaS platform. Our monthly license fee revenue, which constitutes the contractually recurring portion of our revenue and comprises the bulk of our total revenue, or 81% in 2017, increased 6.4% when compared to 2016. Other revenue, which consists primarily of professional service fees and other partner revenue, decreased as a result of a concerted focus on increasing our contractually recurring portion of revenue. Our number of clients increased 6% during 2017 when compared to the prior year and our average monthly license revenue per customer increased 1% during 2017 when compared to 2016. The increase in the number of customers using our SaaS products and services during 2017 is primarily due to the increased resources we have devoted to customer acquisition for our SaaS products. The higher average monthly revenues from our existing customers is primarily due to higher market acceptance and adoption among our users, resulting in a higher volume of transactions.

We believe that our SaaS revenues will continue to increase during 2018.

Cost of Revenues

	Years ended December 31, 2017	2016	% Change
Cost of Revenues	$9,066,896	$8,230,420	10.2 %

Cost of revenues consists primarily of web hosting and personnel costs associated with supporting customer on-boarding and training activities, consisting of salaries, benefits, and related infrastructure costs. Web hosting fees are partially correlated to our revenues, depending on each specific agreement we have with our clients. The majority of our clients' services are hosted on non-dedicated servers, on which capacity can be maximized by server, while certain customers prefer to have their services hosted on dedicated servers, on which capacity can only be maximized by customer and by server. Additionally, our resources associated with on-boarding are usually allocated at the beginning of the relationship with the new customer (usually, the first two months). Accordingly, our personnel costs associated with supporting customer on-boarding activities are not necessarily correlated with our revenues.

During 2017, cost of revenues significantly increased reflecting the higher web hosting fees incurred to support our increased number of clients and platform usage, which increased by approximately $1,300,000.

We believe that our cost of revenues will continue to increase in 2018, but at lower percentages than experienced in 2017.

Research and Development Expenses

	Years ended December 31,		% Change
	2017	2016	
Research and development	$4,414,112	$4,023,879	9.7 %

Research and development expenses consist primarily of personnel costs associated with the enhancement and maintenance of our SaaS product offerings, consisting of salaries, benefits, and related infrastructure costs, offset by capitalized software development costs.

Our research and development expenses increased during 2017, when compared to the prior year, mainly due to decreased capitalization of software development costs of approximately $285,000 and an increase in the employer portion of retirement plan contributions of approximately $70,000.

We believe that our research and development expenses will increase gradually during 2018 as we continue to enhance the features of our SaaS platform.

Sales and Marketing Expenses

	Years Ended December 31,		% Change
	2017	2016	
Sales and marketing	$4,378,588	$3,606,875	21.4 %

Sales and marketing expenses consist primarily of personnel costs associated with the sales and marketing of our SaaS products, including salaries, benefits, and related infrastructure, as well as the costs of related marketing programs, such as trade shows and public relations.

The increase in sales and marketing expenses during 2017, when compared to the prior year, is primarily due to increased personnel costs of approximately $385,000 and increased spending in specific, higher return, marketing programs and trade shows of approximately $450,000. These marketing costs were related mostly to Journey by CAKE, our new product for brand advertisers and digital agencies.

We believe that our sales and marketing expenses will increase slightly in 2018 at lower percentages than our anticipated increase in revenues.

General and Administrative Expenses

	Years Ended December 31,		% Change
	2017	2016	
General and administrative	$7,349,754	$8,343,849	-11.9 %

General and administrative expenses primarily consist of personnel costs associated with the support of our operations consisting of salaries, benefits, and related infrastructure. Also included are non-personnel costs, such as audit fees, accounting services and legal fees, as well as professional fees, insurance and other corporate expenses such as investor relations.

The decrease in general and administrative expenses during 2017, when compared with the prior year, is due mainly to a decrease in legal and consulting services of approximately $725,000, and stock-based compensation and warrant expense of approximately $325,000.

We believe that our general and administrative expenses will increase in 2018 at lower percentages than our anticipated increase in revenues.

Litigation Settlement

	Years Ended December 31, 2017	2016	% Change
Litigation settlement	$-	$2,200,000	100.0 %

Litigation settlement expense consists of a one-time expense of $2,200,000 incurred, as a result of a settlement agreement and release entered into with Jeff McCollum, a former officer, or the Settlement Agreement, on November 29, 2016.

We incurred no expenses as a result of this settlement in 2017.

Other Income

	Years Ended December 31, 2017	2016	% Change
Other income	$748	$20,833	-96.4 %

Other income during 2016 consisted mainly of the sale of non-inventory assets and credit card program cash back payments.

Other Expenses

	Years Ended December 31,		% Change
	2017	2016	
Other expenses	$1,214,476	$1,220,840	0.5 %

Other expenses consist of interest charges and amortization of deferred financing costs associated with our loans.

The increase in interest expenses during 2017, when compared to the prior year, is due to debt issue costs related to the Agility Loan.

Loss on Extinguishment of Debt

	Years Ended December 31,		% Change
	2017	2016	
Loss on extinguishment of debt	$106,034	$ -	100.0 %

Loss on extinguishment of debt in 2017 is due to the difference in fair value of financing cost related to the Agility Loan (as hereinafter defined) and actual financing cost which was fully expensed at December 31, 2017.

Liquidity and Capital Resources

The accompanying consolidated financial statements have been prepared on a going concern basis which implies we will continue to meet our obligations for the next 12 months as of the date these financial statements are issued.

We had a working capital deficit of $3,601,164 and an accumulated deficit of $31,542,684 as of December 31, 2017. We also had a net loss of $2,424,488 and cash used in operating activities of $1,470,182.

On January 25, 2018, we entered into a non-revolving term credit agreement to borrow up to $7,000,000 (see Note 10 to our financial statements).

While our management's projected cash flows are forecasted to be sufficient to meet our obligations over the next 12 months, our management believes it is prudent to continue our capital raising efforts in case our forecast is not achieved. Our plan to continue as a going concern includes raising capital in the form of debt or equity, increased gross profit from revenue growth, and managing and reducing operating and overhead costs. However, we cannot provide any assurances that we will be successful in accomplishing our plans. We also cannot provide any assurance that unforeseen circumstances that could occur at any time within the next twelve months or thereafter will not increase the need for us to raise additional capital on an immediate basis.

However, based upon the January 25, 2018 credit agreement and an evaluation of our projected cash flows through March 31, 2019, our management believes that we are a going concern.

	Ending balance at December 31,		Average balance during years ended December 31,	
	2017	2016	2017	2016
Cash	$166,883	$1,680,127	$923,505	$1,294,111
Restricted cash	50,000	50,000	50,000	25,000
Accounts receivable	2,692,636	2,229,610	2,461,123	2,031,309
Accounts payable and accrued expenses	2,479,083	2,639,008	2,559,046	2,437,879
Short term credit facility, net of deferred financing cost	3,055,812	2,038,946	2,547,379	3,318,694
Short term portion of promissory notes and short-term loan, net of deferred financing cost	1,224,194	506,867	865,531	253,434
Long term loan, net of deferred financing cost	4,402,988	4,588,227	4,495,608	2,294,114
Long term portion of promissory notes, net of deferred financing costs	267,938	-	133,969	-
Long term other liabilities	1,062,500	1,487,500	1,275,000	743,750

At December 31, 2017 and 2016, 38% and 54%, respectively, of our total assets consisted of cash, cash equivalents and accounts receivable.

We extend unsecured credit in the normal course of business to our customers. The determination of the appropriate amount of the reserve for uncollectible accounts is based upon a review of the amount of credit extended, the length of time each receivable has been outstanding, and the specific customers from whom the receivables are due.

The objective of liquidity management is to ensure that we have ready access to sufficient funds to meet commitments while implementing our growth strategy. Our primary sources of liquidity historically include the sale of our securities and borrowings from our credit facility.

We do not have any material commitments for capital expenditures of tangible items.

Line of Credit

On September 30, 2014, we entered into an amendment of our line of credit, or Line of Credit, with Pacific Western Bank, as successor in interest by merger to Square 1 Bank, or the Lender, to borrow up to a maximum of $6,000,000 at our discretion, an increase from up to $3,000,000 that we were permitted to borrow under the original Line of Credit entered into on March 17, 2014. Amounts borrowed accrued interest at the prime rate in effect from time to time plus 1.25%, not to be less than 5.5% per annum, provided that in no event shall the accrued interest payable with respect to any month be less than $10,000. Accrued interest on amounts borrowed was payable monthly. All other amounts borrowed were to be payable in full on the maturity date of March 17, 2016; however, this date was extended by the Lender until May 31, 2016. This maturity extension was granted concurrently with a waiver issued by the Lender pursuant to an amendment to the Line of Credit on March 11, 2016, which amendment waived any default due to breach of the Line of Credit minimum liquidity covenant during the specified time period, adjusted the Minimum Adjusted EBITDA covenant, and reduced the credit limit to $5,135,000. A condition precedent to the waiver was the funding of the $625,000 subordinated loan from Agility Capital II, LLC, or Agility Capital, which funded on March 11, 2016.

On March 27, 2015, in connection with an obligation under the Line of Credit when borrowings thereunder exceed $3,000,000, we issued to the Lender a warrant to purchase 58,824 shares of our Common Stock at an exercise price of $1.53 per share. This warrant expires on March 27, 2018. The fair value of the warrant amounted to $37,289.

On May 5, 2016, we repaid the outstanding Line of Credit balance with the initial advance from our SaaS Capital Loan, which became effective on May 5, 2016.

Agility Loan

On March 11, 2016, we entered into a subordinated loan with Agility Capital which provides for total availability of $625,000 and matures on March 31, 2017, or the Agility Loan. The Agility Loan has a fixed interest rate of 12% per year and requires $25,000 monthly amortization payments beginning on June 1, 2016. The Agility Loan also requires fees of approximately $130,000 over the life of the loan, and is subject to a total aggregate minimum interest of $50,000 in the event of a prepayment. The Agility Loan contains covenants to achieve specified Adjusted EBITDA levels, as defined, limiting capital expenditures, restricting our ability to pay dividends, purchase and sell assets outside the ordinary course and incur additional indebtedness. As of December 31, 2016, we were in compliance with these covenants. The Agility Loan requires a security interest in all of our personal property and intellectual property, second in priority to SaaS Capital Funding II, LLC.

In connection with the Agility Loan, on June 30, 2016, as a result of outstanding amounts under the Agility Loan, we issued to Agility Capital a warrant to purchase up to 69,444 shares of our Common Stock at an exercise price of $0.45 per share. This warrant expires on March 11, 2021. The fair value of the warrant amounted to $15,880 and was capitalized as deferred financing costs, of which $3,970 and $11,910 was expensed at December 31, 2017 and 2016, respectively.

On November 29, 2016, we entered into an amendment of our Agility Loan, or the Agility Loan Amendment, which waived any event of default and the breach of any covenant, representation, warranty, and any other agreement contained in the Agility Loan as a result of the entering into the Settlement Agreement. On the date of the amendment, a loan modification fee in the amount of $100,000, fully earned and non-refundable, was added to the outstanding loan balance and shall accrue interest, expensed in the statement of operations. Additionally, the maturity date was extended to December 31, 2017. On November 29, 2016, we issued to Agility Capital a warrant to purchase up to 187,500 shares of our Common Stock at an exercise price of $0.40 per share. This warrant expires on November 29, 2021. The fair value of the warrant amounted to $42,427 and was capitalized as deferred financing costs, of which $39,163 and $3,264 was expensed at December 31, 2017 and 2016, respectively.

On August 14, 2017, we entered into a consent to waiver of the Agility Loan, to permit the issuance of promissory notes to lenders, as further described below.

On November 8, 2017, we entered into a third amendment, or the Third Amendment, of the Agility Loan whereby Agility Capital agreed to loan an additional $300,000, or the Additional Loan, to us, such that the aggregate principal amount owing to Agility Capital as of November 9, 2017 was $625,000. The Third Amendment extended the maturity date of the Agility Loan from December 31, 2017 to December 31, 2018. A loan modification fee of $125,000 was deducted from the Additional Loan amount. This arrangement was treated as a substantial modification of existing debt pursuant to the guidance of ASC 470-50 “Debt – Modifications and Extinguishments” (“ASC 470-50”). Because the net present value of the modified notes was greater than 10% of the present value of the remaining cash flows under the old debt, the transaction was treated as a debt extinguishment and reissuance of a new debt instrument, with the fair value of $606,034 and therefore recorded $106,034 as a loss on debt extinguishment. The carrying value of the $625,000 did not change as a result of the extinguishment since the discounts recognized at inception of these new notes were fully amortized at the time of the issuance.

During 2017, we borrowed $175,000, net of modification fees, from the Agility Loan, and made principal payments of $250,000.

We owed $600,000 and $550,000 under the Agility Loan at December 31, 2017 and 2016, respectively.

Credit Facility - SaaS Capital Loan

On May 5, 2016, we entered into a Loan and Security Agreement, or the SaaS Capital Loan, with SaaS Capital Funding II, LLC, or SaaS Capital, to borrow up to a maximum of $8,000,000. Initial amounts borrowed will accrue interest at the rate of 10.25% per annum with future amounts borrowed bearing interest at the greater of 10.25% or 9.21% plus the three-year treasury rate at the time of advance. Accrued interest on amounts borrowed is payable monthly for the first six months and thereafter 36 equal monthly payments of principal and interest is payable. Prepayments will be subject to a 10%, 6% or 3% of principal premium if prepaid prior to 12 months, between 12 and 24 months, or between 24 months and maturity, respectively. Advances may be requested until May 5, 2018. The initial minimum advance amount of $5,000,000, on May 5, 2016, was used to repay the outstanding Line of Credit balance of $4,572,223. A facility fee of $80,000 was paid by us in connection with the initial advance and an additional $80,000 was paid in May 2017.

The SaaS Capital Loan contains customary covenants including, but not limited to, covenants to achieve specified Adjusted EBITDA levels and revenue renewal levels, limiting capital expenditures and restricting our ability to pay dividends, purchase and sell assets outside the ordinary course and incur additional indebtedness. As of December 31, 2017, we were in compliance with such covenants. The occurrence of a material adverse change will be an event of default under the SaaS Capital Loan, in addition to other customary events of default. We granted SaaS Capital Funding II, LLC a security interest in all of our personal property and intellectual property through the SaaS Capital Loan and the Patent, Trademark and Copyright Security Agreement between us and SaaS Capital.

On May 5, 2016, in connection with the SaaS Capital Loan, we issued to SaaS Capital Partners II, LP, an affiliate of SaaS Capital, a warrant to purchase up to 1,333,333 shares of our common stock at an exercise price of $0.45 per share subject to certain adjustments for dividends, splits or reclassifications. The Warrant is exercisable until the earlier of May 5, 2026, or the date that is 5 years from the date our equity securities are first listed for trading on NASDAQ. We paid approximately $169,000 in financing costs through December 31, 2016. The fair value of the warrant amounted to $383,128 and was capitalized as deferred financing costs, of which $127,709 and $85,139 was expensed at December 31, 2017 and 2016, respectively.

On November 29, 2016, we entered into an amendment of our SaaS Capital Loan to receive consent from SaaS Capital to enter into the Settlement Agreement. The amendment required a loan modification fee of $120,000, payable at $10,000 a month for one year, expensed in the statement of operations. In connection with this amendment, we agreed to issue SaaS Capital a warrant to purchase up to 200,000 shares of our Common Stock at an exercise price of $0.36 per share. This warrant expires on November 29, 2026. The fair value of the warrant amounted to $60,185 and was fully expensed at December 31, 2016.

On May 10, 2017, we entered into a second amendment of the SaaS Capital Loan with SaaS Capital which adjusted the Minimum Adjusted EBITDA covenant of the SaaS Capital Loan from $0 to ($150,000) until August 31, 2017 to give us added flexibility in completing our hosting migration to a new platform and to allow for potentially augmented marketing and sales efforts.

On June 16, 2017, we entered into a third amendment of the SaaS Capital Loan with SaaS Capital to provide that any advance made within 6 months of the final advance date will be for a 36-month period with interest only payments due from the date of advance until the final advance date.

On August 14, 2017, we entered into a fourth amendment of the SaaS Capital Loan with SaaS Capital to permit the issuance of promissory notes to lenders, as further described below.

On November 8, 2017, we entered into a fifth amendment, or the Fifth Amendment, of the SaaS Capital Loan with SaaS Capital which adjusted the Minimum Adjusted EBITDA covenant of the SaaS Capital Loan from $0 to ($170,000) until October 31, 2017, to ($150,000) from November 1, 2017 to December 31, 2017, to ($100,000) from January 1, 2018 to May 31, 2018, to ($50,000) from June 1, 2018 to August 31, 2018, and to $0 thereafter. The Fifth Amendment added a new minimum liquidity covenant for a cash balance of $600,000 effective January 31, 2018. The Fifth Amendment also memorialized SaaS Capital's waiver of the Minimum Adjusted EBITDA covenant for September 2017. In connection with the Fifth Amendment, we agreed to pay to SaaS Capital Funding II, LLC a fee of $375,000 upon the payment in full of all outstanding advances.

During 2017, we borrowed $2,703,000 from the SaaS Capital Loan, and made principal payments of $2,055,558.

We owed $7,704,384 under the SaaS Capital Loan at December 31, 2017.

Promissory Notes

On August 14, 2017, we borrowed an aggregate of $1,000,000 from seven lenders, or the Lenders, and issued promissory notes, or the Promissory Notes, for the repayment of the amounts borrowed. The Lenders are all accredited investors, certain of the Lenders are our shareholders, one of the Lenders is an affiliate of our director, Greg Akselrud, and two of the lenders are each affiliated with a partner of Mr. Akselrud's in the law firm of Stubbs Alderton and Markiles, LLP. The Promissory Notes are unsecured, have a maturity date of August 14, 2019 and all principal is due upon maturity. Amounts borrowed accrue interest at 12% per annum and accrued interest is payable monthly. We also issued to the Lenders three-year warrants to purchase an aggregate of 1,000,000 shares of the Company's Common Stock at an exercise price of $0.35 per share.

Changes in Cash Flows

	Years Ended December 31, 2017	2016
Cash flows from operating activities:		
Net loss	$(2,424,488)	$(3,851,584)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	707,081	761,276
Impairment of fixed assets	-	273,859
Amortization of deferred financing cost	249,125	239,707
Provision for bad debt	(116,511)	(45,612)
Fair value of options and warrants	862,859	1,268,097
Loss from litigation settlement	-	2,200,000
Non-cash expenses	-	424,920
(Gain) loss on sale of fixed assets	10,027	(290)
Amortization of debt discount fair value	18,966	-
Loss on debt extinguishment	106,034	-
Changes in operating assets and liabilities:		
Accounts receivable	(346,515)	(350,991)
Prepaid expenses	(150,156)	(158,266)
Restricted Cash	-	(50,000)
Accounts payable and accrued expenses	(612,543)	(455,242)
Deferred revenues	246,487	43,014
Other assets	(20,548)	22,024
Net cash (used in) provided by operating activities	(1,470,182)	320,912
Cash flows used in investing activities:		
Capitalized software for internal use	(1,713,759)	(1,997,759)
Capital expenditures	(63,429)	(20,206)
Proceeds from sale of assets	895	7,142
Net cash used in investing activities	(1,776,293)	(2,010,823)
Cash flows provided by financing activities:		
Principal repayments of credit facility	(2,055,558)	(355,835)
Proceeds from credit facility	2,703,000	3,003,105
Proceeds from promissory notes	1,000,000	-
Proceeds from sale of common stock	125,000	-
Proceeds from short-term loan	175,000	-
Repayments of short-term loan	(250,000)	-
Payment of financing costs	-	(129,678)
Net cash provided by financing activities	1,697,442	2,517,592
Effect of exchange rate changes on cash	35,789	(55,649)
Net increase (decrease) in cash	(1,513,244)	772,032

Cash, beginning of year	1,680,127	908,095
Cash, end of year	$166,883	$1,680,127

Comparison of Year Ended December 31, 2017 to December 31, 2016

As of December 31, 2017, we had cash of approximately $170,000.

Net cash used in operating activities was approximately $1,470,000 for the year ended December 31, 2017 compared to net cash provided by operations of approximately $320,000 for the same period in 2016. The change in operating cash flow was primarily due to the loss from the Settlement Agreement in 2016.

Net cash used in investing activities was $1.8 million for the year ended December 31, 2017 compared to $2.0 million for the same period in 2016. The decrease in capitalization of development costs for internal-use software of approximately $280,000 accounted for the majority of the decrease.

Net cash provided by financing activities was $1.7 million for the year ended December 31, 2017 compared to $2.5 million for the same period in 2016. The decrease in cash provided by financing activities is primarily due to $2.0 million higher principal repayments of our credit facility and short-term loan, offset by $1.0 million net proceeds from issuance of the Promissory Notes in 2017.

Exercise of warrants and options

We had no proceeds generated from the exercise of options or warrants during 2017 or 2016.

Other outstanding obligations at December 31, 2017

Warrants

As of December 31, 2017, 11,469,341 shares of our Common Stock are issuable pursuant to the exercise of warrants.

Options

As of December 31, 2017, 8,302,500 shares of our Common Stock are issuable pursuant to the exercise of options.

Stock awards

As of December 31, 2017, 120,000 shares of our Common Stock are subject to the vesting of stock awards.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements.

Climate Change

Our opinion is that neither climate change, nor governmental regulations related to climate change, have had, or are expected to have, any material effect on our operations.

Critical Accounting Policies

Share-Based Payment

We account for stock-based compensation in accordance with Accounting Standards Codification, or ASC, Topic 718, *Compensation-Stock Compensation*, or ASC 718. Under the fair value recognition provisions of this topic, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as expense over the requisite service period, which is the vesting period. See Note 6 in the footnotes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further information regarding our stock-based compensation assumptions and expenses.

We use the Black-Scholes-Merton option-pricing model to estimate the fair value of our options, which incorporates various subjective assumptions including volatility, risk-free interest rate, expected life, and dividend yield to calculate the fair value of stock option awards. Compensation expense recognized in the consolidated statements of operations is based on awards ultimately expected to vest and reflects estimated forfeitures. ASC 718 requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Revenue Recognition

We recognize revenue on arrangements in accordance with ASC Topic 605, Revenue Recognition. Revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectability of the resulting receivable is reasonably assured.

Our SaaS revenues are generated from implementation and training fees and a monthly license fee, supplemented by per transaction fees paid by customers for monthly platform usage. The initial term of the customer contract is generally one year with one of two general cancellation policies. Each party may cancel the contract within the initial period or after the initial period, with 30-days' prior notice. We do not provide any general right of return for our delivered items. Services associated with the implementation and training fees have standalone value to our customers, as there are third-party vendors who offer similar services to our services. Accordingly, they qualify as separate units of accounting. We allocate a fair value to each element deliverable at the recognition date and recognize such value when the services are provided. We base the fair value of the implementation and training fees on third-party evidence and the monthly license fee on vendor-specific objective evidence. Fees charged by third-party vendors for implementation and training services do not vary significantly from the fees charged by us. Services associated with implementation and training fees are generally rendered within a month from the initial contract date. The value attributed to the monthly license fees as well as the fees associated with monthly transaction-based platform usage are recognized in the corresponding period.

Useful Lives of Long-Lived Assets

We amortize our fixed assets, such as capitalized software for internal use, over their useful lives. We exercise judgment in determining the useful lives of such assets based on our historical experience.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

Not applicable.

Item 8. Financial Statements and Supplementary Data.

The information required by this item is included in Item 15 of this Annual Report on Form 10-K.

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

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), we conducted an evaluation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15(d)-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act). Based on this evaluation, our Chief Executive Officer (Principal Executive Officer) and Chief Financial Officer (Principal Financial Officer) concluded that our disclosure controls and procedures were effective as of December 31, 2017 (the end of the period covered by this report).

Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for our Company. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States and includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets, (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors, and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements.

As required by Section 404 of the Sarbanes-Oxley Act of 2002 and the related rule of the SEC, management assessed the effectiveness of our internal control over financial reporting using the *Internal Control-Integrated Framework (2013)* developed by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2017. Management has not identified any material weaknesses in our internal control over financial reporting as of December 31, 2017.

Auditor Attestation

This annual report does not include an attestation report of our independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit us to provide only management's report in this annual report.

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Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) or 15d-15(f) under the Exchange Act) during the year ended December 31, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Not applicable.

PART III

Item 10. Directors, Executive Officers and Corporate Governance.

The following table sets forth the names, ages and principal position of our executive officers and directors as of March 27, 2018:

Name	Age	Position
Brian Ross	43	Chairman of the Board, President, Chief Executive Officer, Treasurer
Anthony Mazzarella	60	Chief Financial Officer, Executive Vice President
Santi Pierini	54	Chief Operating Officer, President of our CAKE division
Damon Stein	42	General Counsel and Secretary
Paul Dumais	54	Senior Vice President Product Development
Mario Marsillo Jr.	49	Director
Gregory Akselrud	42	Director

Brian Ross. Mr. Ross has served as our President, Chief Executive Officer and director since November 2005, and as our Chairman of the Board since March 2013. He previously served as Senior Vice President of Business Development for iMall, Inc. from 1994 and became Director of Investor Relations in June 1997. iMall, Inc. was acquired by Excite@Home in October 1999. Mr. Ross then served as a Business Development Manager in Excite@Home's E-Business Services Group until December 1999. After the sale of iMall, Mr. Ross was a founding investor of GreatDomains Inc. which was sold in October 2000 to Verisign. Between 2000 and 2003, he was Director of Business Development for Prime Ventures Inc., a leading Venture Partner firm focusing on early stage companies in Southern California. In July 2004, Mr. Ross became a founding investor in E-force Media, a diversified online marketing company where he acted as interim Director of Business Development. Mr. Ross attended UC Santa Barbara.

We believe that Mr. Ross is qualified to serve as a director for the following reasons: Mr. Ross, who is one of our founders, is an Internet industry veteran with over two decades of experience. He has been our Chief Executive Officer for more than ten years and he has a proven track record with the aforementioned companies, which were all operating in online marketing solutions and e-commerce. Additionally Mr. Ross has played an important role in the development and growth of various Internet companies, taking them from start-up companies through the various stages of their growth cycle.

Anthony Mazzarella. Mr. Mazzarella was appointed as our Executive Vice President and Chief Financial Officer in April 2016. Mr. Mazzarella previously served as a consultant to us since December 1, 2015 and as our Interim Chief Financial Officer since January 6, 2016. Mr. Mazzarella has 30 years of business experience in finance and technology, and has served as the Chief Executive Officer of several private companies as well as the Chief Financial Officer of iMALL, Inc. (formerly NASDAQ: IMAL). Mr. Mazzarella is currently a director of Hyphos, Inc., and Kinduce, Inc. For the past nine years, Mr. Mazzarella has been principal of Edgewater Ventures, a consulting and investing entity. From October 2011 through June 2014, Mr. Mazzarella was the Chief Executive Officer of Scalable Network Technologies, Inc., a simulation software provider. Mr. Mazzarella is a graduate of Pomona College with a B.A. in Physics and holds an M.B.A. from Harvard Business School.

Santi Pierini. Mr. Pierini was appointed as our Chief Operating Officer in October 2014. Mr. Pierini joined us in February 2014 as our Executive Vice President of Marketing. Mr. Pierini has previously served in senior executive positions at InQuira, Inc. (acquired by Oracle Corporation) from 2009 to 2010, Day Software (now Adobe Marketing Cloud) from 2002 to 2009, Vignette Corporation (acquired by OpenText Corporation) from 2000 to 2002 and OnDisplay Creative (acquired by Vignette Corporation) from 1997 to 2000. Earlier in his career, he worked in marketing at Dun & Bradstreet, Jet Propulsion Laboratory as a systems architect and as a senior management consultant for Andersen Consulting (now Accenture). Mr. Pierini is a graduate of California Polytechnic State University, San Luis Obispo with a B.S. in Computer Science.

Damon Stein. Mr. Stein has served as our General Counsel since January 2007. Mr. Stein received his B.A. degree from the University of California at Berkeley. He was then awarded a partial academic scholarship to Pepperdine University where he received his J.D./M.B.A. Mr. Stein is licensed to practice law in California.

Paul Dumais. Mr. Dumais was appointed as our Senior Vice President Product Development in November 2017. Mr. Dumais joined us as Senior Vice President of Product in April 2016. Mr. Dumais has 25 years of experience as an executive, systems architect and inventor in a variety of technology ventures. From September 2012 through April 2016, Mr. Dumais was the Vice President of Product Development at Scalable Network Technologies, Inc., a simulation software provider. Mr. Dumais previously served as Chief Technology Officer at Mom, Inc. (dba Modern Mom) from February 2010 to January 2013. Mr. Dumais studied Computer Science at the University of Calgary.

Mario Marsillo Jr. Mr. Marsillo has been a director since April 2014. Mr. Marsillo is the Managing Director of Private Equity for Network 1 Financial Securities Inc., or Network 1, a New Jersey based FINRA member firm offering a wide array of investment banking services and has been with Network 1 since 2010. Prior to his association with Network 1, Mr. Marsillo acquired Skyebanc, Inc., a registered broker dealer, with a specialty towards private equity, and served as its Vice President of Private Equity and Business Development. Mr. Marsillo currently holds the Series 7, 63 79, 99 and 24 FINRA qualifying examinations. Mr. Marsillo attended the City University of New York.

We believe Mr. Marsillo is qualified to serve as a director because Mr. Marsillo is a sophisticated businessman with investment banking and private equity experience, was an early investor in us and has previously assisted us in raising capital.

Gregory Akselrud. Mr. Akselrud has been a director since April 2014. Mr. Akselrud is a founder and partner of Stubbs, Alderton & Markiles, LLP, or Stubbs Alderton, a Southern California based business law firm with corporate, public securities, mergers and acquisitions, intellectual property and business litigation practice groups, and joined Stubbs Alderton in 2002. Mr. Akselrud chairs Stubbs Alderton’s Internet, Digital Media and Entertainment practice group and has extensive experience representing public companies at all stages of their growth. In addition to working as a full time attorney, Mr. Akselrud is an Adjunct Professor of Law at Loyola Law School, Los Angeles. Mr. Akselrud is a member of the California Bar. Mr. Akselrud received his B.A. from University of California at Los Angeles and his J.D., cum laude, from Loyola Law School.

We believe Mr. Akselrud is qualified to serve as a director because Mr. Akselrud advises a wide range of public and private clients across a number of industries, including companies in digital media, Internet, entertainment, technology, consumer electronics and apparel, and has extensive experience representing public companies at all stages of their growth.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires that our executive officers, directors and persons who own more than ten percent of a registered class of our equity securities file reports of ownership on Form 3 and changes in ownership on Form 4 or 5 with the SEC. Such executive officers, directors and ten percent stockholders are also required by the SEC rules to furnish to us copies of all Section 16(a) reports that they file. Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons that they were not required to file a Form 5, we believe that, during the fiscal year ended December 31, 2017, our executive officers, directors and ten percent stockholders complied with all Section 16(a) filing requirements applicable to such persons.

Code of Ethics

We have adopted a Code of Business Conduct Ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. We will provide a copy of our Code of Ethics, free of charge, upon request.

Committees of the Board of Directors

Our Board of Directors has not yet established any committees, including an Audit Committee, a Compensation Committee or a Nominating Committee. The typical functions of such committees are currently being undertaken by our Board of Directors.

Audit Committee Financial Expert

Currently no member of our Board of Directors is an audit committee financial expert.

Item 11. Executive Compensation.

The following table sets forth, for the last two completed fiscal years, all compensation paid, distributed or accrued for services rendered to us by (i) all individuals serving as our principal executive officer or acting in a similar capacity during the last completed fiscal year, regardless of compensation level; and (ii) our two most highly compensated executive officers, other than the principal executive officer, who were serving as executive officers at the end of the last completed fiscal year and whose total compensation exceeded $100,000:

Summary Compensation Table

Name and Principal Position	Year	Salary ($)	Bonus ($)	Stock Awards	Option Awards ($) (1)	Non-Equity Incentive Plan Compensation ($)	Non-Qualified Deferred Compensation Earnings	All Other Compensation ($) (2)	Total ($)
Brian Ross,	2017	309,515	35,000	-	-	-	-	16,842	361,357
Chief Executive Officer	2016	300,500	-	-	-	-	-	19,509	320,009
Damon Stein,	2017	309,515	20,000	-	-	-	-	16,842	346,357
General Counsel and Secretary	2016	300,500	-	-	-	-	-	19,509	320,009
Paul Dumais,	2017	247,200	-	-	92,761 (3)	-	-	11,564	351,525
Sr. VP Product Development	2016	167,385	-	-	-	-	-	8,964	176,349

(1) The grant date fair dollar value recognized for the stock option awards was determined in accordance with ASC Topic 718. For a disclosure of the assumptions made in the valuation please refer to footnote 6 in our financial statements filed under Item 8 of this Annual Report on Form 10-K.
(2) Includes health-related insurance paid by us on behalf of the officer.
(3) 5-year warrant to purchase up to 750,000 shares of our Common Stock at an exercise price of $0.50 granted on November 9, 2017, vesting quarterly over three years.

We have no plans or arrangements with respect of remuneration received or that may be received by our executive officers named in the table above to compensate such officers in the event of termination of employment (as a result of resignation, retirement or change of control) or a change of responsibilities following a change of control, except if we elect to terminate Mr. Ross' or Mr. Stein's employment without cause during the term of his respective employment agreement as described below, each shall be entitled to a severance payment of the greater of the remaining payments due on the term of the agreement or an annual base salary of one year, and all unvested options, bonuses and other compensation shall vest on the date of termination.

Employment Agreements

We have written employment agreements with all of our employees. The main terms of the executive employment agreements of Brian Ross, our Chairman of the Board, President and Chief Executive Officer, Damon Stein, our General Counsel and Secretary, and Paul Dumais, our Senior Vice President Product Development, are summarized below.

Mr. Ross' employment agreement, as amended, was effective as of November 9, 2012, and continues until the earlier of June 30, 2021 or its earlier termination or expiration. Under the agreement Mr. Ross is entitled to an annual base salary of $275,000. Mr. Ross is entitled to an annual raise of three percent and additional annual raises and bonuses at the discretion of our Board of Directors. Any bonuses awarded will not exceed thirty percent of Mr. Ross's base salary. If we do not make monthly salary payments during the term of his employment, such salary will accrue without interest. Mr. Ross is entitled to other benefits, including, reimbursement for reasonable business expenses and health insurance premiums. In addition, in 2007 and 2012, Mr. Ross was granted non-qualified stock options to purchase up to an aggregate of 5,100,000 of our shares, of which 3,100,000 are exercisable at December 31, 2017. The employment agreement may be terminated by us without cause upon 30-days prior written notice. If we elect to terminate Mr. Ross's employment without cause during the term of his employment, he shall be entitled to a severance payment of the greater of the remaining payments due on the term of the agreement or an annual base salary of one year and all unvested options, bonuses and other compensation shall vest on the date of termination. We may also terminate the agreement and Mr. Ross's employment upon his illness or disability for a continuous period of more than 45 days, his death or for cause. The agreement contains customary confidentiality and assignment of work product provisions.

Mr. Stein's employment agreement, as amended, was effective as of November 9, 2012, and continues until the earlier of December 31, 2019 or its earlier termination or expiration. Under the agreement Mr. Stein is entitled to an annual base salary of $275,000. Mr. Stein is entitled to an annual raise of three percent and additional raises and bonuses at the discretion of our Board of Directors. Any bonuses awarded will not exceed thirty percent of Mr. Stein's base salary. If we do not make monthly salary payments during the term of his employment, such salary will accrue without interest. Mr. Stein is entitled to other benefits, including, reimbursement for reasonable business expenses and health insurance premiums. In addition, in 2007, 2009, and 2012 Mr. Stein was granted non-qualified stock options to purchase up to an aggregate of 3,775,000 of our shares, of which 3,375,000 are exercisable at December 31, 2017. The agreement may be terminated by us without cause upon 30-days prior written notice. If we elect to terminate Mr. Stein's employment without cause during the term, he shall be entitled to severance payment of the greater of the remaining payments due on the term of the agreement or an annual base salary of one year and all unvested options, bonuses and other compensation shall vest on the date of termination. We may also terminate the agreement and Mr. Stein's employment immediately upon his illness or disability for a continuous period of more than 45 days, his death or for cause. The agreement contains customary confidentiality and assignment of work product provisions.

Mr. Dumais' employment agreement was effective as of November 9, 2017. Mr. Dumais' employment with us is at will. Mr. Dumais is entitled to an annual base salary of $240,000. Mr. Dumais is also entitled to other customary benefits including reimbursement for reasonable business expenses. The agreement contains customary confidentiality and assignment of work product provisions. In addition, in 2017, Mr. Dumais was granted a five year warrant to purchase up to 750,000 shares of our Common Stock at an exercise price of $0.50 per share, vesting in equal quarterly installments over 3 years commencing on October 1, 2016, which may be exercised in full or part for cash or via cashless exercise, of which 249,750 are exercisable as of December 31, 2017.

Pension, Retirement or Similar Benefit Plans

There are no arrangements or plans in which we provide pension, retirement or similar benefits for directors or executive officers. Our directors and executive officers may receive stock options at the discretion of our Board in the future.

Outstanding Equity Awards at Fiscal Year-End

The following table presents the outstanding equity awards held as of December 31, 2017 by our Executive Officers.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price ($)	Option Expiration Date
Brian Ross	3,100,000	-	$ 0.31	5/24/2022
Damon Stein	3,100,000	-	$ 0.31	5/24/2022
	275,000	-	$ 0.55	12/04/2019

Paul Dumais	249,975	(1)	500,025	(1)	$ 0.50	11/09/2022

(1) Consists of warrants to purchase 750,000 shares of our Common Stock vesting on a quarterly basis over a period of 36 months commencing on October 1, 2016.

Director Compensation

The following table presents the compensation paid as of December 31, 2017 to our non-employee Directors.

Name	Fees earned or paid in cash ($)	Stock awards ($) (1)	Option awards ($)	Non-equity incentive plan compensation ($)	Non-qualified deferred compensation earnings ($)	All other compensation ($)	Total ($)
Mario Marsillo, Jr.	60,000	60,000					120,000
Gregory Akselrud	60,000	60,000					120,000

(1) The grant date fair dollar value recognized for the stock awards was determined in accordance with ASC Topic 718. For a disclosure of the assumptions made in the valuation please refer to footnote 6 in our financial statements filed under Item 8 of this Annual Report on Form 10-K.

Our non-employee directors, Mario Marsillo Jr. and Gregory Akselrud, receive an annual compensation of $120,000 a year in consideration of their service to us as directors. Half of such compensation is in the form of restricted stock, consisting of 120,000 shares of our Common Stock at a value of $0.50 per share, vesting in 4 equal quarterly increments commencing on July 1, 2017.

The Chairman of our Board of Directors, Mr. Brian Ross, does not receive any additional compensation for his services as a director. Mr. Ross is a current executive officer. Mr. Ross' compensation is fully reflected in the Summary Compensation Table above.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholders Matters.

As of March 27, 2018 we had 65,939,709 shares of our Common Stock issued and outstanding. The following table sets forth information regarding the beneficial ownership of our Common Stock as of March 27, 2018 by:

each person known by us to be the beneficial owner of more than 5% of our Common Stock;

our directors;

each of our executive officers named in the compensation tables in Item 11; and

all of our executive officers and directors as a group.

	COMMON STOCK		
NAME	**# OF SHARES**	**% OF CLASS**	
Brian Ross (1)	10,710,000	15.5	%
Damon Stein (2)	5,579,711	8.0	%
Paul Dumais (3)	375,000	0.6	%
Mario Marsillo Jr. (4)	1,259,724	1.9	%
Gregory Akselrud (4)	197,241	0.3	%
All current officers and directors as a group (7 persons) (5)	21,035,531	27.8	%

(1) Includes 3,100,000 options vested and that will vest within the next 60 days.
(2) Includes 3,375,000 options vested and that will vest within the next 60 days.
(3) Includes 375,000 warrants vested and that will vest within the next 60 days.
(4) Includes 60,000 options vested and that will vest within the next 60 days.
(5) Includes 6,595,000 options and 3,250,000 warrants vested and that will vest within the next 60 days.

Securities authorized for issuance under equity compensation plans.

The table below provides information regarding all compensation plans as of the end of the most recently completed fiscal year (including individual compensation arrangements) under which equity securities of the registrant are authorized for issuance. Our stock option plan, or the Plan, was adopted effective as of December 15, 2006 and options may be granted under the Plan through December 14, 2016; the Plan is now expired. The Plan was amended effective as of May 17, 2006, May 5, 2011, and May 27, 2012 to increase the number of shares available under the Plan for non-qualified stock options from 4,300,000 to 22,500,000. The Plan was amended effective May 24, 2012 to increase the number of options that may be granted in any year to any optionee from 2,000,000 to 4,000,000 shares. The Plan permitted the grant of both incentive stock options (if our shareholders approve the plan) and non-qualified stock options. In addition, in 2014, we issued warrants to purchase up to an aggregate of 5,050,000 shares of our Common Stock to certain of our executive officers as individual compensation arrangements.

Equity Compensation Plan Information

Plan category	**Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)**	**Weighted-average exercise price of outstanding options, warrants and rights (b)**	**Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)**
Equity compensation plans approved by security holders	n/a	n/a	n/a
Equity compensation plans not approved by security holders	19,771,841	$ 0.60	-
Total	19,771,841	$ 0.60	-

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Item 13. Certain Relationship and Related Party Transactions, and Director Independence.

Related Person Transactions

None.

Director Independence

As our Common Stock is currently quoted on the OTCQB Marketplace, we are not subject to the rules of any national securities exchange which require that a majority of a listed company's directors and specified committees of the Board of Directors meet independence standards prescribed by such rules. We believe that Mr. Marsillo and Mr. Akselrud would qualify as "independent" if we were subject to the rules of the Nasdaq Stock Market.

Item 14. Principal Accountant Fees and Services

The following table summarizes the fees of RBSM LLP, our independent registered public accounting firm billed for each of the last two fiscal years for audit services and other services:

Fee Category	2017	2016
Audit Fees (1)	$90,500	$79,000
Audit Related Fees (2)	-	-
Tax Fees (3)	12,500	12,500
All Other Fees (4)	-	-
Total Fees	$103,000	$91,500

(1) Consists of fees billed for professional services rendered in connection with the audit of our annual financial statements, review of our Form 10-K, review of our interim financial statements included in our Form 10-Q and services that are normally provided by our independent registered public accounting firm in connection with year-end statutory and regulatory filings or engagements.

(2) Consists of fees billed for assurance and related services that are reasonably related to the performance of the audit or review of our financial statements and are not reported under "Audit Fees", such as review of our prospectus supplement and related offering procedures, Form 8-K filings, and services that are normally provided by our independent registered public accounting firm.

(3) Consists of fees billed for professional services for our tax compliance, tax advice and tax planning.

(4) The services provided by our independent registered public accounting firm other than the services reported above.

We do not have an Audit Committee. Our Board of Directors pre-approves all auditing services and permissible non-audit services provided to us by our independent registered public accounting firm. All fees listed above were pre-approved in accordance with this policy.

PART IV

Item 15. Exhibits and Financial Statement Schedules

a. Index to Financial Statements and Financial Statement Schedules

All other schedules for which provision is made in the applicable accounting regulations of the SEC are not required under the related instructions, or are inapplicable, and therefore have been omitted.

b. Exhibits

EXHIBIT NO.	**DESCRIPTION**
3.1	Composite Copy of Certificate of Incorporation, as amended as of October 10, 2014 (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 12, 2014).
3.2	Certificate of Designation of 10% Series A Convertible Preferred Stock (incorporated by reference to Exhibit 3.1 to the Company's Registration Statement on Form SB-2 filed on December 22, 2006).
3.3	Certificate of Designation of 8% Series B Convertible Preferred Stock (incorporated by reference to Exhibit 10.1 to the Company's Quarterly Report on Form 10-QSB filed on August 13, 2007).
3.4	By-laws of the Company (incorporated by reference to the Company's Registration Statement on Form SB-2 filed on December 22, 2006).
3.5	Certificate of Amendment to the Certificate of Designation of 8% Series B Convertible Preferred Stock (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 29, 2012).

4.1	Form of Common Stock Certificate (incorporated by reference to the Company's Registration Statement on Form SB-2 filed on December 22, 2006).
4.2*	Form of Warrant to Purchase Stock issued September 18, 2014 (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 19, 2015).
4.3*	Form of Warrant to Purchase Stock issued December 12, 2014 (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 19, 2015).
4.4*	Form of Warrant to Purchase Stock issued December 12, 2014 (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 19, 2015).
4.5	Form of Warrant to Purchase Stock issued March 27, 2015 (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015).
4.6	Form of Warrant to Purchase Stock issued May 5, 2016 (incorporated by reference to the Company's Current Report on Form 8-K filed on May 5, 2016).
4.7*	Form of Warrant to Purchase Stock issued on June 9, 2016 (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on August 8, 2016).
4.8	Form of Warrant to Purchase Stock issued on June 30, 2016 (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on August 8, 2016).

4.9	Form of Warrant to Purchase Stock issued November 29, 2016 (incorporated by reference to the Company's Current Report on Form 8-K filed on November 30, 2016).
4.10	Form of Warrant to Purchase Stock issued November 29, 2016 (incorporated by reference to the Company's Current Report on Form 8-K filed on November 30, 2016).
4.11	Form of Warrant to Purchase Stock issued on August 14, 2017 (incorporated by reference to the Company's Current Report on Form 8-K filed on August 16, 2017).
4.12*	Form of Warrant to Purchase Stock issued on November 9, 2017 (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 14, 2017).
4.13*	Form of Warrant to Purchase Stock issued on November 9, 2017 (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 14, 2017).
4.14	Form of Warrant to Purchase Stock issued on January 25, 2018 (incorporated by reference to the Company's Current Report on Form 8-K filed on January 31, 2018).
4.15	Form of Warrant to Purchase Stock issued on January 25, 2018 (incorporated by reference to the Company's Current Report on Form 8-K filed on January 31, 2018).
10.1*	Employment Agreement, dated November 9, 2012, between Accelerize New Media, Inc. and Brian Ross (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 14, 2012).
10.2*	Amendment No. 1 to Employment Agreement, dated as of June 9, 2016, between Brian Ross and Accelerize Inc. (incorporated by reference to the Company's Current Report on Form 8-K filed on June 13, 2016).
10.3*	Employment Agreement, dated November 9, 2012, between Accelerize New Media, Inc. and Damon Stein (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 14, 2012).
10.4*	Amendment No. 1 to Employment Agreement, dated November 9, 2017, between Accelerize Inc. and Damon Stein (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 14, 2017).
10.5*	Employment Agreement, dated as of February 10, 2014, between Accelerize New Media, Inc. and Santi Pierini (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 13, 2014).
10.6*	Amendment No. 1 to Employment Agreement, dated as of July 9, 2014, between Accelerize New Media, Inc. and Santi Pierini (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 19, 2015).
10.7*	Amendment No. 2 to Employment Agreement, dated as of September 18, 2014, between Accelerize Inc. and Santi Pierini (incorporated by reference to the Company's Current Report on Form 8-K filed on September 18, 2014).
10.8*	Amendment No. 3 to Employment Agreement, dated as of January 12, 2015, between Accelerize Inc. and Santi Pierini (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 19, 2015).

10.9*	Amendment No. 4 to Employment Agreement, dated May 6, 2015, between Accelerize Inc. and Santi Pierini (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015).
10.10*	Employment Agreement, dated as of April 12, 2016, between Anthony Mazzarella and Accelerize Inc. (incorporated by reference to the Company's Current Report on Form 8-K filed on April 13, 2016).
10.11*	Employment Agreement, dated as of November 9, 2017, between Paul Dumais and Accelerize Inc. (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 14, 2017).
10.12*	Accelerize New Media, Inc. Stock Option Plan (incorporated by reference to the Company's Registration Statement on Form SB-2 filed on December 22, 2006).
10.13*	Form of Stock Option Agreement (incorporated by reference to the Company's Registration Statement on Form SB-2 filed on December 22, 2006).

10.14*	Amendment No. 1 to Accelerize New Media, Inc. Stock Option Plan (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 10, 2011).
10.15*	Amendment No. 2 to Accelerize New Media, Inc. Stock Option Plan (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 10, 2011).
10.16*	Amendment No. 3 to Accelerize New Media, Inc. Stock Option Plan (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 29, 2012).
10.17*	Amendment No. 4 to Accelerize New Media, Inc. Stock Option Plan (incorporated by reference to the Company's Current Report on Form 8-K filed on May 29, 2012).
10.18*	Form of Stock Option Agreement (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015).
10.19*	Form of Stock Option Agreement (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015).
10.20	Standard Multi-Tenant Office Lease-Gross, dated January 8, 2014, between Accelerize New Media, Inc. and Ferrado Bayview, LLC (incorporated by reference to the Company's Current Report on Form 8-K filed on January 14, 2014).
10.21	First Amendment to Standard Multi-Tenant Office Lease-Gross, dated August 25, 2017, between Accelerize Inc. and Ferrado Bayview, LLC (incorporated by reference to the Company's Current Report on Form 8-K filed on August 29, 2017).
10.22	Form of Securities Purchase Agreement (incorporated by reference to the Company's Current Report on Form 8-K filed on August 14, 2015).
10.23	Form of Warrant Purchase Agreement (incorporated by reference to the Company's Current Report on Form 8-K filed on August 14, 2015).
10.24	Loan Agreement, dated March 11, 2016, between Accelerize Inc. and Agility Capital II, LLC. (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 17, 2016).
10.25	Intellectual Property Security Agreement, dated March 11, 2016, between Accelerize Inc. and Agility Capital II, LLC (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 17, 2016).
10.26	First Amendment to Loan Agreement, dated November 29, 2016, between Accelerize Inc. and Agility Capital II, LLC (incorporated by reference to the Company's Current Report on Form 8-K filed on November 30, 2016).
10.27	Third Amendment to Loan Agreement dated November 8, 2017 between Accelerize Inc. and Agility Capital II, LLC (incorporated by reference to the Company'sQuarterly Report on Form 10-Q filed on November 14, 2017).
10.28	Loan and Security Agreement, dated May 5, 2016, between Accelerize Inc. and SaaS Capital Funding II, LLC (incorporated by reference to the Company's Current Report on Form 8-K filed on May 6, 2016).

10.29	Patent, Trademark and Copyright Security Agreement, dated May 5, 2016, between Accelerize Inc. and SaaS Capital Funding II, LLC (incorporated by reference to the Company's Current Report on Form 8-K filed on May 6, 2016).
10.30	First Amendment to Loan and Security Agreement, dated November 29, 2016, between Accelerize Inc. and SaaS Capital Funding II, LLC (incorporated by reference to the Company's Current Report on Form 8-K filed on November 30, 2016).
10.31	Second Amendment to Loan and Security Agreement, dated May 10, 2017, between Accelerize Inc. and SaaS Capital Funding II, LLC (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 11, 2017).
10.32	Third Amendment to Loan and Security Agreement, dated June 16, 2017, between Accelerize Inc. and SaaS Capital Funding II, LLC (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on August 14, 2017).

10.33	Fourth Amendment to Loan and Security Agreement, dated August 14, 2017, between Accelerize Inc. and SaaS Capital Funding II, LLC (incorporated by reference to the Company's Current Report on Form 8-K filed on August 16, 2017).
10.34	Fifth Amendment to Loan and Security Agreement, Limited Waiver and Consent, dated November 8, 2017, between Accelerize Inc. and SaaS Capital Funding II, LLC (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 14, 2017).
10.35**	Sixth Amendment to Loan and Security Agreement, dated January 25, 2018, between Accelerize Inc. and SaaS Capital Funding II, LLC.
10.36*	Form of Restricted Stock Agreement entered into on July 1, 2016 (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 8, 2016).
10.37*	Form of Restricted Stock Agreement entered into on July 1, 2017 (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on November 14, 2017).
10.38	Confidential Settlement Agreement and Release, dated November 29, 2016, between Accelerize Inc. and Jeff McCollum (incorporated by reference to the Company's Current Report on Form 8-K filed on November 30, 2016).
10.39	Form of Promissory Note issued on August 14, 2017 (incorporated by reference to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 16, 2017).
10.40**	Credit Agreement, dated January 25, 2018, between Accelerize Inc. and Beedie Investments Limited.
10.41**	Pledge and Security Agreement, dated January 25, 2018, between Accelerize Inc. and Beedie Investments Limited.
10.42**	Guarantee Made by Cake Marketing UK Ltd. in favor of Beedie Investments Limited, dated January 25, 2018.
23.1**	Consent of RBSM LLP.
31.1**	Rule 13a-14(a) Certification.
31.2**	Rule 13a-14(a) Certification.
32.1***	Certification pursuant to 18 U.S.C. Section 1350.
32.2***	Certification pursuant to 18 U.S.C. Section 1350.
101.1**	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2017, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Loss, (iv) the Consolidated Statements of Changes in Stockholders' Deficit, (v) the Consolidated Statements of Cash Flows, and (vi) related notes to these financial statements.

* Management contract or compensatory plan or arrangement.

** Filed herewith.

*** Furnished herewith.

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.

ACCELERIZE INC.

By: /s/ Brian Ross

Brian Ross

President and Chief Executive Officer

Date: March 27, 2018

Pursuant to the requirements of 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 dates indicated.

SIGNATURE	TITLE	DATE
By: /s/ Brian Ross Brian Ross	Chairman of the Board, President and Chief Executive Officer (Principal executive officer)	March 27, 2018
By: /s/ Anthony Mazzarella Anthony Mazzarella	Chief Financial Officer (Principal financial and accounting officer)	March 27, 2018
By: /s/ Mario Marsillo Jr. Mario Marsillo Jr.	Director	March 27, 2018
By: /s/ Gregory Akselrud Gregory Akselrud	Director	March 27, 2018

ACCELERIZE INC.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2017 and 2016

Index to Financial Statements and Financial Statement Schedules

The following consolidated financial statements and financial statement schedules are included on the pages indicated:

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the board of directors of

Accelerize Inc. and Subsidiary

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Accelerize Inc. and Subsidiary (collectively, the "Company") as of December 31, 2017 and 2016, and the related consolidated statements of operations and comprehensive income (loss), changes in stockholders' deficit, and cash flows for each of the years in the two-year period ended December 31, 2017, 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, 2017 and 2016, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

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 audits. 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 audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated 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 audits 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 audits 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 consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement. We believe that our audits provide a reasonable basis for our opinion.

/s/ RBSM LLP

We have served as the Company’s auditor since 2012.

New York, New York

March 27, 2018

ACCELERIZE INC.

CONSOLIDATED BALANCE SHEETS

	December 31, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash	$*166,883*	$*1,680,127*
Restricted cash	*50,000*	*50,000*
Accounts receivable, net of allowance for bad debt of $471,144 and $349,535, respectively	*2,692,636*	*2,229,610*
Prepaid expenses and other assets	*548,343*	*398,187*
Total current assets	*3,457,862*	*4,357,924*
Property and equipment, net of accumulated depreciation of $775,152 and $645,115, respectively	*69,405*	*149,115*
Intangible assets, net of accumulated amortization of $2,512,203 and $1,939,957, respectively	*3,925,523*	*2,784,011*
Other assets	*123,124*	*102,574*
Total assets	$*7,575,914*	$*7,393,624*
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current Liabilities:		
Accounts payable and accrued expenses	$*2,479,083*	$*2,639,008*
Deferred revenues	*299,937*	*53,450*
Credit facility, short term	*3,055,812*	*2,038,946*
Other short-term loan, net of unamortized deferred financing cost of $0 and $43,133, respectively	*1,224,194*	*506,867*
Total current liabilities	*7,059,026*	*5,238,271*
Credit facility, net of unamortized deferred financing cost of $245,584 and $429,769, respectively	*4,402,988*	*4,588,227*
Other long-term loan, net of unamortized deferred financing cost of $82,868 and $0, respectively	*267,938*	-
Other liabilities	*1,062,500*	*1,487,500*
Total liabilities	*12,792,452*	*11,313,998*
Stockholders' Deficit:		
Series A Preferred stock; $0.001 par value; 54,000 shares authorized; None issued and outstanding.	-	-

Series B Preferred stock; $0.001 par value; 1,946,000 shares authorized; None issued and outstanding.	-	-
Common stock; $0.001 par value; 100,000,000 shares authorized; 65,939,709 and 63,415,254 shares issued and outstanding, respectively	65,938	63,414
Additional paid-in capital	26,301,748	25,211,737
Accumulated deficit	(31,542,684)	(29,118,196)
Accumulated other comprehensive loss	(41,540)	(77,329)
Total stockholders' deficit	(5,216,538)	(3,920,374)
Total liabilities and stockholders' deficit	$7,575,914	$7,393,624

See Notes to Consolidated Financial Statements.

ACCELERIZE INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Years Ended December 31, 2017	2016
Revenues:	$24,104,624	$23,753,446
Cost of revenue	9,066,896	8,230,420
Gross profit	15,037,728	15,523,026
Operating expenses:		
Research and development	4,414,112	4,023,879
Sales and marketing	4,378,588	3,606,875
General and administrative	7,349,754	8,343,849
Litigation settlement	-	2,200,000
Total operating expenses	16,142,454	18,174,603
Operating loss	(1,104,726)	(2,651,577)
Other income (expense):		
Other income	748	20,833
Interest expense	(1,214,476)	(1,220,840)
Loss on extinguishment of debt	(106,034)	-
Total other (expenses)	(1,319,762)	(1,200,007)
Net loss	$(2,424,488)	$(3,851,584)
Net loss per share:		
Basic	$(0.04)	$(0.06)
Diluted	$(0.04)	$(0.06)
Basic weighted average common shares outstanding	65,413,094	65,129,153
Diluted weighted average common shares outstanding	65,413,094	65,129,153

See Notes to Consolidated Financial Statements.

ACCELERIZE INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Years Ended December 31, 2017	2016
Net loss:	$(2,424,488)	$(3,851,584)
Foreign currency translation gain (loss)	35,789	(55,649)
Total other comprehensive gain (loss)	35,789	(55,649)
Comprehensive loss	$(2,388,699)	$(3,907,233)

See Notes to Consolidated Financial Statements.

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ACCELERIZE INC.

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' DEFICIT

From January 1, 2016 to December 31, 2017

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total Stockholders' Deficit
Balance, January 1, 2016	65,069,327	$65,068	$23,440,366	$(25,266,612)	$ (21,680)	$(1,782,858)
Cashless exercise of options	5,714	6	(6)	-	-	-
Fair value of options and restricted stock awards	-	-	461,764	-	-	461,764
Fair value of warrants	-	-	806,334	-	-	806,334
Fair value of warrants issued in connection with credit facility	-	-	501,620	-	-	501,620
Stock issuance in conjunction with vested stock awards	240,000	240	(240)	-	-	-
Cancelled - shares	(1,899,787)	(1,900)	1,900	-	-	-
Net loss	-	-	-	(3,851,584)	-	(3,851,584)
Foreign currency translation	-	-	-	-	(55,649)	(55,649)
Ending balance, December 31, 2016	63,415,254	63,414	25,211,737	(29,118,196)	(77,329)	(3,920,374)
Cashless exercise of options and warrants	1,867,788	1,868	(1,868)	-	-	-
Fair value of options and restricted stock awards	-	-	295,999	-	-	295,999
Fair value of warrants	-	-	566,860	-	-	566,860
Fair value of warrants issued in connection with promissory notes	-	-	104,676	-	-	104,676
Stock issuance in conjunction with vested stock awards	240,000	240	(240)	-	-	-
Sale of common stock in cash	416,667	417	124,583	-	-	125,000
Net loss	-	-	-	(2,424,488)	-	(2,424,488)
Foreign currency translation	-	-	-	-	35,789	35,789
Ending balance, December 31, 2017	65,939,709	$65,939	$26,301,747	$(31,542,684)	$ (41,540)	$(5,216,538)

See Notes to Consolidated Financial Statements

ACCELERIZE INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2017	2016
Cash flows from operating activities:		
Net loss	$(2,424,488)	$(3,851,584)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	707,081	761,276
Impairment of fixed assets	-	273,859
Amortization of deferred financing cost	249,125	239,707
Provision for bad debt	(116,511)	(45,612)
Fair value of options and warrants	862,859	1,268,097
Loss from litigation settlement	-	2,200,000
Non-cash expenses	-	424,920
(Gain) loss on sale of fixed assets	10,027	(290)
Amortization of debt discount fair value	18,966	-
Loss on debt extinguishment	106,034	-
Changes in operating assets and liabilities:		
Accounts receivable	(346,515)	(350,991)
Prepaid expenses	(150,156)	(158,266)
Restricted Cash	-	(50,000)
Accounts payable and accrued expenses	(612,543)	(455,242)
Deferred revenues	246,487	43,014
Other assets	(20,548)	22,024
Net cash (used in) provided by operating activities	(1,470,182)	320,912
Cash flows used in investing activities:		
Capitalized software for internal use	(1,713,759)	(1,997,759)
Capital expenditures	(63,429)	(20,206)
Proceeds from sale of assets	895	7,142
Net cash used in investing activities	(1,776,293)	(2,010,823)
Cash flows provided by financing activities:		
Principal repayments of credit facility	(2,055,558)	(355,835)
Proceeds from credit facility	2,703,000	3,003,105
Proceeds from promissory notes	1,000,000	-
Proceeds from sale of common stock	125,000	-
Proceeds from short-term loan	175,000	-
Repayments of short-term loan	(250,000)	-
Payment of financing costs	-	(129,678)
Net cash provided by financing activities	1,697,442	2,517,592

Effect of exchange rate changes on cash	*35,789*	*(55,649*)
Net increase (decrease) in cash	*(1,513,244*)	*772,032*
Cash, beginning of year	*1,680,127*	*908,095*
Cash, end of year	$*166,883*	$*1,680,127*
Supplemental disclosures of cash flow information:		
Cash paid for interest	$*851,544*	$*492,581*
Cash paid for income taxes	$-	$-
Non-cash investing and financing activities:		
Fair value of warrants issued in connection with promissory notes and credit facility	$*104,676*	$*501,620*
Repayment of Agility Loan, included in accounts payable	$*25,000*	$*25,000*
Repayment of Line of Credit	$-	$*4,572,223*
Stock issuance in conjunction with vested stock awards and cashless exercise of options	$*1,868*	$*246*
Stock cancelled in conjunction with settlement	$-	$*1,900*

See Notes to Consolidated Financial Statements.

ACCELERIZE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2017 and 2016

NOTE *1:* ORGANIZATION AND DESCRIPTION OF BUSINESS

Accelerize Inc., or the Company, a Delaware corporation, incorporated on *November 22, 2005,* owns and operates CAKE, a Software-as-a-Service, or SaaS, platform providing online tracking and analytics solutions for advertisers and online marketers.

The Company provides software solutions for businesses interested in optimizing their digital advertising spend.

Basis of Presentation and Principles of Consolidation

The accompanying consolidated financial statements include the results of operations of Cake Marketing UK Ltd., (the Subsidiary). All material intercompany accounts and transactions between the Company and the Subsidiary have been eliminated in consolidation.

The accompanying consolidated financial statements have been prepared on a going concern basis which implies the Company will continue to meet its obligations for the next *12* months as of the date these financial statements are issued.

The Company had a working capital deficit of *$3,601,164* and an accumulated deficit of *$31,542,684* as of *December 31, 2017.* The Company also had a net loss of *$2,424,488* and cash used in operating activities of *$1,470,182.*

On *January 25, 2018,* the Company entered into a non-revolving term credit agreement to borrow up to *$7,000,000.* (see Note *10*).

While management's projected cash flows are forecasted to be sufficient to meet the Company's obligations over the next *12* months, management believes it is prudent to continue its capital raising efforts in case its forecast is *not* achieved. Management's plan to continue as a going concern includes raising capital in the form of debt or equity, increased gross profit from revenue growth and managing and reducing operating and overhead costs. However, management cannot provide any assurances that the Company will be successful in accomplishing its plans. Management also cannot provide any assurance that unforeseen circumstances that could occur at any time within the next *twelve* months or thereafter will *not* increase the need for the Company to raise additional capital on an immediate basis.

However, based upon the *January 25, 2018* credit agreement and an evaluation of the Company's projected cash flows through *March 31, 2019,* management believes that the Company is a going concern.

NOTE *2:* SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Use of Estimates</u>

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America 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 reporting amounts of revenues and expenses during the reported period. Actual results will differ from those estimates. Included in these estimates are assumptions about collection of accounts receivable, useful life of fixed assets and intangible assets, and assumptions used in Black-Scholes-Merton, or BSM, valuation methods, such as expected volatility, risk-free interest rate, and expected dividend rate.

<u>Cash and Cash Equivalents</u>

The Company considers all highly liquid temporary cash investments with an original maturity of *three* months or less when purchased, to be cash equivalents. The Company has restricted cash as a result of its corporate card program through its bank. The bank requires a collateral which is placed in a money market account and can be increased or decreased at any time at the discretion of the Company. The Company's restricted cash amounted to *$50,000* at *December 31, 2017.*

Accounts Receivable

The Company's accounts receivable are due primarily from advertisers and marketers. Collateral is currently *not* required. The Company also maintains allowances for doubtful accounts for estimated losses resulting from the inability of the Company's customers to make payments. The Company periodically reviews these estimated allowances, including an analysis of the customers' payment history and creditworthiness, the age of the trade receivable balances and current economic conditions that *may* affect a customer's ability to make payments as well as historical collection trends for its customers as a whole. Based on this review, the Company specifically reserves for those accounts deemed uncollectible or likely to become uncollectible. When receivables are determined to be uncollectible, principal amounts of such receivables outstanding are written off and deducted from the allowance.

	December 31, 2017	December 31, 2016
Allowance for doubtful accounts	$*471,144*	$*349,535*

Concentration of Credit Risks

The Company is subject to concentrations of credit risk primarily from cash, cash equivalents and accounts receivable.

The Company's cash and cash equivalents accounts are held at a financial institution and are insured by the Federal Deposit Insurance Corporation, or the FDIC, up to *$250,000.* During *2017* and *2016,* the Company has reached bank balances exceeding the FDIC insurance limit. To reduce its risk associated with the failure of such financial institutions, the Company periodically evaluates the credit quality of financial institutions in which it holds deposits.

The Company's accounts receivable are due from customers, generally located in the United States, Europe, Asia, and Canada. *None* of the Company's customers accounted for more than *10%* of its accounts receivable at *December 31, 2017* and *2016.* The Company does *not* require any collateral from its customers.

Revenue Recognition

The Company recognizes revenue on arrangements in accordance with ASC Topic *605,* Revenue Recognition. Revenue is recognized only when the price is fixed or determinable, persuasive evidence of an arrangement exists, the service is performed, and collectability of the resulting receivable is reasonably assured.

The Company's SaaS revenues are generated from implementation and training fees and a monthly license fee, supplemented by per transaction fees paid by customers for monthly platform usage. The initial term of the customer contract is generally *one* year with *one* of *two* general cancellation policies. Each party *may* cancel the contract within the initial period or after the initial period, with *30*-days' prior notice. The Company does *not* provide any general right of return for its delivered items. Services associated with the implementation and training fees have standalone value to the Company's customers, as there are *third*-party vendors who offer similar services to the Company's services. Accordingly, they qualify as separate units of accounting. The Company allocates a fair value to each element deliverable at the recognition date and recognizes such value when the services are provided. The Company bases the fair value of the implementation and training fees on *third*-party evidence and the monthly license fee on vendor-specific objective evidence. Fees charged by *third*-party vendors for implementation and training services do *not* vary significantly from the fees charged by the Company. Services associated with implementation and training fees are generally rendered within a month from the initial contract date. The value attributed to the monthly license fees as well as the fees associated with monthly transaction-based platform usage are recognized in the corresponding period.

Product Concentration

The Company generates its revenues from software licensing, usage, and related transaction fees.

Fair Value of Financial Instruments

The Company accounts for assets and liabilities measured at fair value on a recurring basis in accordance with ASC Topic *820,* Fair Value Measurements and Disclosures, or ASC *820.* ASC *820* establishes a common definition for fair value to be applied to existing generally accepted accounting principles that require the use of fair value measurements, establishes a framework for measuring fair value, and expands disclosure about such fair value measurements.

ASC *820* defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Additionally, ASC *820* requires the use of valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. These inputs are prioritized below:

Level *1:*	Observable inputs such as quoted market prices in active markets for identical assets or liabilities.
Level *2:*	Observable market-based inputs or unobservable inputs that are corroborated by market data.
Level *3:*	Unobservable inputs for which there is little or *no* market data, which require the use of the reporting entity's own assumptions.

Additional Disclosures Regarding Fair Value Measurements

The carrying value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and lines of credit approximate their fair value due to the short-term maturity of these items.

Advertising

The Company expenses advertising costs as incurred.

	2017	2016
Advertising expense	$*604,300*	$*552,924*

Income Taxes

Income taxes are accounted for in accordance with the provisions of ASC Topic *740,* Accounting for Income Taxes. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. Valuation allowances are established, when necessary, to reduce deferred tax assets to the amounts expected to be realized, but *no* less than quarterly.

Foreign Currency Translation

The Company's reporting currency is U.S. Dollars. The functional currency of the Company's subsidiary in the United Kingdom is British Pounds. The translation from British Pounds to U.S. dollars is performed for asset and liability accounts using exchange rates in effect at the balance sheet date, equity accounts using historical exchange rates or rates in effect at the balance sheet date, and for revenue and expense accounts using the average exchange rate in effect during the period. The resulting translation adjustments are recorded as a component of Accumulated Other Comprehensive Income (Loss). Foreign currency translation gains and losses arising from exchange rate fluctuation on transactions denominated in a currency other than the functional currency are included in the consolidated statements of operations.

Software Development Costs

Costs incurred in the research and development of software products and significant upgrades and enhancements thereto during the preliminary project stage and the post-implementation operation stage are expensed as incurred. Costs incurred for maintenance and relatively minor upgrades and enhancements are expensed as incurred. Costs associated with the application development stage of new software products and significant upgrades and enhancements thereto are capitalized when *1*) management implicitly or explicitly authorizes and commits to funding a software project and *2*) it is probable that the project will be completed and the software will be used to perform the function intended. The Company capitalized internal-use software development costs of approximately $*1,700,000* during *2017.* The Company amortizes such costs once the new software products and significant upgrades and enhancements are completed. The unamortized internal-use software development costs amounted to approximately *$3,926,000* at *December 31, 2017.* The Company’s amortization expenses associated with capitalized software development costs amounted to approximately *$572,000* during *2017.* Amortization of internal-use software is reflected in cost of revenues.

Share-Based Payment

The Company accounts for stock-based compensation in accordance with ASC Topic *718,* Compensation-Stock Compensation, or ASC *718.* Under the fair value recognition provisions of this topic, stock-based compensation cost is measured at the grant date based on the fair value of the award and is recognized as an expense on a straight-line basis over the requisite service period, which is the vesting period.

The Company has elected to use the BSM option-pricing model to estimate the fair value of its options, which incorporates various subjective assumptions including volatility, risk-free interest rate, expected life, and dividend yield to calculate the fair value of stock option awards. Compensation expense recognized in the statements of operations is based on awards ultimately expected to vest and reflects estimated forfeitures. ASC *718* requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Segment Reporting

The Company generated revenues from *one* source, its SaaS business, during *2017* and *2016.* The Company's chief operating decision maker evaluates the performance of the Company based upon revenues and expenses by functional areas as disclosed in the Company's statements of operations.

Recent Accounting Pronouncements

In *January 2017,* the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update, or ASU, *2017-04,* Intangibles-Goodwill and Other (Topic *350*), which simplifies the goodwill impairment test. The effective date for ASU *2017-04* is for fiscal years beginning after *December 15, 2019.* Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after *January 1, 2017.* The Company is currently evaluating the impact of adopting ASU *2017-04* on its consolidated financial statements.

In *January 2017,* the FASB issued ASU *No. 2017-01,* Business Combinations (Topic *805*): Clarifying the Definition of a Business. This new standard clarifies the definition of a business and provides a screen to determine when an integrated set of assets and activities is *not* a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is *not* a business. This new standard will be effective for the Company on *January 1, 2018;* however, early adoption is permitted with prospective application to any business development transaction. The Company is currently evaluating the impact of adopting ASU *2017-04* on its consolidated financial statements.

In *May 2014,* the FASB issued ASU *2014-09,* Revenue from Contracts with Customers ("Topic *606"*), which supersedes the revenue recognition requirements in FASB ASC *605.* The new guidance primarily states that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services. In *January 2017* and *September 2017,* the FASB issued several amendments to ASU *2014 09,* including updates stemming from SEC Accounting Staff Announcement in *July 2017.* The amendments and updates included clarification on accounting for principal versus agent considerations (i.e., reporting gross versus net), licenses of intellectual property and identification of performance obligations. These amendments and updates do *not* change the core principle of the standard, but provide clarity and implementation guidance. The Company will adopt this standard on *January 1, 2018* and selected the modified retrospective transition method. The Company is currently evaluating the impact of the new guidance on its financial statements.

In *January 2016,* the FASB issued ASU *No. 2016 01, Financial Instruments — Overall: Recognition and Measurement of Financial Assets and Financial Liabilities.* The guidance affects the accounting for equity investments, financial liabilities under the fair value option and the presentation and disclosure requirements of financial instruments. The guidance is effective in the *first* quarter of fiscal *2019.* Early adoption is permitted for the accounting guidance on financial liabilities under the fair value option. The Company is currently evaluating the impact of the new guidance on its financial statements.

In *February 2016,* the FASB issued ASU *2016-02, Leases (Topic 842)* and subsequently amended the guidance relating largely to transition considerations under the standard in *January 2017.* The objective of this update is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. This ASU is effective for fiscal years beginning after *December 15, 2018,* including interim periods within those annual periods and is to be applied utilizing a modified retrospective approach. The Company is currently evaluating the new guidance to determine the impact it *may* have on its financial statements.

In *November 2016,* the FASB issued ASU *No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash*. The objective of this ASU is to eliminate the diversity in practice related to the classification of restricted cash or restricted cash equivalents in the statement of cash flows. For public business entities, this ASU is effective for annual and interim reporting periods beginning after *December 15, 2017,* with early adoption permitted. The amendments in this update should be applied retrospectively to all periods presented. The Company will adopt this standard on *January 1, 2018* and will *not* have a material impact on the Company's financial statements.

In *May 2017,* the FASB issued ASU *2017-09, Compensation - Stock Compensation (Topic 718*)*: Scope of Modification Accounting* (ASU *2016-09*), which provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting in Topic *718.* This pronouncement is effective for annual reporting periods beginning after *December 15, 2017.* The Company will adopt this standard on *January 1, 2018* and will *not* have a material impact on the Company's financial statements.

Basic and Diluted Earnings Per Share

Basic earnings per share are calculated by dividing income available to stockholders by the weighted-average number of common shares outstanding during each period. Diluted earnings per share are computed using the weighted average number of common and dilutive common share equivalents outstanding during the period. Dilutive common share equivalents consist of shares issuable upon the exercise of stock options and warrants (calculated using the modified-treasury stock method).

	2017	2016
Numerator:		
Net loss	$*(2,424,488*)	$*(3,851,584*)
Denominator:		
Denominator for basic earnings per share--weighted average shares	*65,413,094*	*65,129,153*
Effect of dilutive securities- when applicable:		
Stock options	-	-
Warrants	-	-
Denominator for diluted earnings per share--adjusted weighted-average shares and assumed conversions	*65,413,094*	*65,129,153*
Loss per share:		
Basic	$*(0.04*)	$*(0.06*)
Diluted	$*(0.04*)	$*(0.06*)

Weighted-average anti-dilutive common share equivalents	*17,273,444*	*18,432,724*

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Property and Equipment

Property and equipment are recorded at cost and are depreciated on a straight-line basis over their estimated useful lives of *three* years. Maintenance and repairs are charged to expense as incurred. Significant renewals and betterments are capitalized.

Property and equipment consist of the following at:

	December 31, 2017	December 31, 2016
Computer equipment and software	$*431,497*	$*387,472*
Office furniture and equipment	*120,420*	*119,768*
Leasehold improvements	*292,640*	*286,990*
	844,557	*794,230*
Accumulated depreciation	*(775,152*)	*(645,115*)
Total	*69,405*	*149,115*
Intangible assets	*6,437,726*	*4,723,968*
Accumulated amortization	*(2,512,203*)	*(1,939,957*)
Total	$*3,925,523*	$*2,784,011*

	2017	2016
Depreciation expense	$*130,037*	$*273,302*
Amortization expense of internal software	$*572,246*	$*761,833*

During the year ended *December 31, 2017,* the Company disposed of and sold approximately *$7,500* in computer equipment with a net book value of approximately *$1,700* for proceeds of approximately *$800.*

During the year ended *December 31, 2016,* the Company sold approximately *$19,000* in capital assets with a net book value of approximately *$7,000* for proceeds of approximately *$7,000.* The Company also wrote off approximately *$275,000* in fixed assets with a net book value of approximately *$31,000,* which was recorded under the depreciation expense account.

NOTE *3:* PREPAID EXPENSES AND OTHER ASSETS

At *December 31, 2017* and *2016,* the Company's prepaid expenses consisted primarily of prepaid insurance and tradeshow costs.

NOTE *4:* DEFERRED REVENUES

The Company's deferred revenues consist of prepayments made by certain of the Company's customers and undelivered implementation and training fees. The Company decreases the deferred revenues by the amount of the services it renders to such clients when provided.

	December 31, 2017	December 31, 2016
Deferred revenues	$ *299,937*	$ *53,450*

NOTE *5:* LINE OF CREDIT AND LOANS

<u>Line of Credit</u>

	December 31, 2017	December 31, 2016
Line of credit	$ -	$ *4,635,000*
Repayment of Line of credit	-	*(4,635,000*)
Less: Deferred financing cost	-	-
	$ -	$ -

On *September 30, 2014,* the Company entered into an amendment of its line of credit, or the Line of Credit, with Pacific Western Bank, as successor in interest by merger to Square *1* Bank, or the Lender, to borrow up to a maximum of *$6,000,000* at the Company's discretion, an increase from up to *$3,000,000* that the Company was permitted to borrow under the original Line of Credit entered into on *March 17, 2014.*

As of *December 31, 2017* and *2016,* the Company had *no* outstanding balance under the Line of Credit and the facility has been cancelled.

Agility Loan

	December 31, 2017	December 31, 2016
Agility Loan	*625,000*	*625,000*
Amendment, added to balance	*400,000*	*100,000*
Principal Payment of Agility Loan	*(425,000)*	*(175,000)*
Less: Deferred financing cost	-	*(43,133)*
	$*600,000*	$*506,867*

On *March 11, 2016,* the Company entered into a subordinated loan, or the Agility Loan, with Agility Capital II, LLC, or Agility Capital, which provides for total availability of *$625,000* and matures on *March 31, 2017.* The Agility Loan has a fixed interest rate of *12%* per year and requires *$25,000* monthly amortization payments beginning on *June 1, 2016.* The Agility Loan also requires fees of approximately *$130,000* over the life of the loan, and is subject to a total aggregate minimum interest of *$50,000* in the event of a prepayment. The Agility Loan contains covenants to achieve specified Adjusted EBITDA levels, as defined, limiting capital expenditures, restricting the Company's ability to pay dividends, purchase and sell assets outside the ordinary course and incur additional indebtedness. As of *December 31, 2017,* the Company was in compliance with these covenants. The Agility Loan requires a security interest in all of the Company's personal property and intellectual property, *second* in priority to the Lender and to SaaS Capital Funding II, LLC.

In connection with the Agility Loan, on *June 30, 2016,* as a result of outstanding amounts under the Agility Loan, the Company issued to Agility Capital a warrant to purchase up to *69,444* shares of the Company's Common Stock at an exercise price of *$0.45* per share. This warrant expires on *March 11, 2021.* The fair value of the warrant amounted to *$15,880* and was capitalized as deferred financing costs, of which *$3,970* and *$11,910* was expensed at *December 31, 2017* and *2016,* respectively.

On *November 29, 2016,* the Company entered into an amendment of the Agility Loan which waived any event of default and the breach of any covenant, representation, warranty, and any other agreement contained in the Agility Loan as a result of the entering into of the Settlement Agreement. On the date of the amendment, a loan modification fee in the amount of *$100,000,* fully earned and non-refundable, was added to the outstanding loan balance and shall accrue interest, expensed in the statement of operations. Additionally, the maturity date was extended to *December 31, 2017.* On *November 29, 2016,* the Company issued to Agility Capital a warrant to purchase up to *187,500* shares of the Company's Common Stock at an exercise price of *$0.40* per share. This warrant expires on *November 29, 2021.* The fair value of the warrant amounted to *$42,427* and was capitalized as deferred financing costs, of which *$39,163* and *$3,264* of which was expensed at *December 31, 2017* and *2016,* respectively.

On *August 14, 2017,* the Company entered into a consent to waiver of the Agility Loan, to permit the issuance of promissory notes to lenders, as further described below.

On *November 8, 2017,* the Company entered into the Third Amendment of the Agility Loan whereby Agility Capital agreed to loan an additional *$300,000* to the Company, such that the aggregate principal amount owing to Agility Capital as of *November 9, 2017* was *$625,000.* The Third Amendment extended the maturity date of the Agility Loan from *December 31, 2017* to *December 31, 2018.* A loan modification fee of *$125,000* was deducted from the Additional Loan amount. This arrangement was treated as a substantial modification of existing debt pursuant to the guidance of ASC *470-50* "Debt – Modifications and Extinguishments" ("ASC *470-50"*). Because the net present value of the modified notes was greater than *10%* of the present value of the remaining cash flows under the old debt, the transaction was treated as a debt extinguishment and reissuance of a new debt instrument, with the fair value of *$606,034* and therefore recorded *$106,034* as a loss on debt extinguishment. The carrying value of the *$625,000* did *not* change as a result of the extinguishment since the discounts recognized at inception of these new notes were fully amortized at the time of the issuance.

During *2017,* the Company borrowed *$175,000,* net of modification fees, from the Agility Loan, and made principal payments of *$250,000.*

The Company owed $*600,000* under the Agility Loan at *December 31, 2017.*

<u>Credit Facility - SaaS Capital Loan</u>

	December 31, 2017	December 31, 2016
SaaS Capital Loan	*9,903,000*	*7,200,000*
Principal Payment of SaaS Capital Loan	*(2,198,616*)	*(143,058*)
Less: Deferred financing cost	*(245,584*)	*(429,769*)

Less: SaaS Capital Loan, short term	*(3,055,812)*	*(2,038,946)*
	$*4,402,988*	$*4,588,227*

On *May 5, 2016,* the Company entered into a Loan and Security Agreement, or the SaaS Capital Loan, with SaaS Capital Funding II, LLC, or SaaS Capital, to borrow up to a maximum of *$8,000,000.* Initial amounts borrowed will accrue interest at the rate of *10.25%* per annum with future amounts borrowed bearing interest at the greater of *10.25%* or *9.21%* plus the *three*-year treasury rate at the time of advance. Accrued interest on amounts borrowed is payable monthly for the *first six* months and thereafter *36* equal monthly payments of principal and interest is payable. Prepayments will be subject to a *10%, 6%* or *3%* of principal premium if prepaid prior to *12* months, between *12* and *24* months, or between *24* months and maturity, respectively. Advances *may* be requested until *May 5, 2018.* The initial minimum advance amount of *$5,000,000,* on *May 5, 2016,* was used to repay the outstanding Line of Credit balance of *$4,572,223.* A facility fee of *$80,000* was paid by the Company in connection with the initial advance and an additional *$80,000* is payable on *May 5, 2017.*

The SaaS Capital Loan contains customary covenants including, but *not* limited to, covenants to achieve specified Adjusted EBITDA levels and revenue renewal levels, limiting capital expenditures and restricting the Company's ability to pay dividends, purchase and sell assets outside the ordinary course and incur additional indebtedness. As of *December 31, 2016,* the Company was in compliance with such covenants. The occurrence of a material adverse change will be an event of default under the SaaS Capital Loan, in addition to other customary events of default. The Company granted SaaS Capital a security interest in all of the Company's personal property and intellectual property through the SaaS Capital Loan and the Patent, Trademark and Copyright Security Agreement between the Company and SaaS Capital.

On *May 5, 2016,* in connection with the SaaS Capital Loan, the Company issued to SaaS Capital Partners II, LP, an affiliate of SaaS Capital, a warrant to purchase up to *1,333,333* shares of the Company's common stock at an exercise price of *$0.45* per share subject to certain adjustments for dividends, splits or reclassifications. The Warrant is exercisable until the earlier of *May 5, 2026,* or the date that is *5* years from the date the Company’s equity securities are *first* listed for trading on NASDAQ. The Company paid approximately *$169,000* in financing costs through *September 30, 2016.* The fair value of the warrant amounted to *$383,128* and was capitalized as deferred financing costs, of which *$127,709* and *$85,139* of which was expensed at *December 31, 2017* and *2016,* respectively.

On *November 29, 2016,* the Company entered into an amendment of the SaaS Capital Loan to receive consent from SaaS Capital to enter into the Settlement Agreement. The amendment required a loan modification fee of *$120,000,* payable at *$10,000* a month for *one* year, expensed in the statement of operations. In connection with this amendment, the Company agreed to issue SaaS Capital a warrant to purchase up to *200,000* shares of our Common Stock at an exercise price of *$0.36* per share. This warrant expires on *November 29, 2026.* The fair value of the warrant amounted to *$60,185* and was fully expensed at *December 31, 2016.*

On *May 10, 2017,* the Company entered into a *second* amendment of the SaaS Capital Loan with SaaS Capital which adjusted the Minimum Adjusted EBITDA covenant of the SaaS Capital Loan from *$0* to (*$150,000*) until *August 31, 2017* to give the Company added flexibility in completing our hosting migration to a new platform and to allow for potentially augmented marketing and sales efforts.

On *June 16, 2017,* the Company entered into a *third* amendment of the SaaS Capital Loan with SaaS Capital to provide that any advance made within *6* months of the final advance date will be for a *36*-month period with interest only payments due from the date of advance until the final advance date.

On *August 14, 2017,* the Company entered into a *fourth* amendment of the SaaS Capital Loan with SaaS Capital to permit the issuance of promissory notes to lenders, further described below.

On *November 8, 2017,* the Company entered into a *fifth* amendment, or the Fifth Amendment, of the SaaS Capital Loan with SaaS Capital which adjusted the Minimum Adjusted EBITDA covenant of the SaaS Capital Loan from *$0* to (*$170,000*) until *October 31, 2017,* to (*$150,000*) from *November 1, 2017* to *December 31, 2017,* to (*$100,000*) from *January 1, 2018* to *May 31, 2018,* to (*$50,000*) from *June 1, 2018* to *August 31, 2018,* and to *$0* thereafter. The Fifth Amendment added a new minimum liquidity covenant for a cash balance of *$600,000* effective *January 31, 2018.* The Fifth Amendment also memorialized SaaS Capital's waiver of the Minimum Adjusted EBITDA covenant for *September 2017.* In connection with the Fifth Amendment, the Company agreed to pay to SaaS Capital a fee of *$375,000* upon the payment in full of all outstanding advances.

The Company owed *$7,704,384* under the SaaS Capital Loan at *December 31, 2017.*

Promissory Notes

	December 31, 2017	December 31, 2016
Promissory Notes, Total	$*1,000,000*	-
Principal Payment of Promissory Notes	-	-
Promissory Notes, Outstanding balance	*1,000,000*	-
Less: Deferred financing cost	*(82,868*)	-
Less: Promissory Notes, short term	*(649,194*)	-
	$*267,938*	$ -

On *August 14, 2017,* the Company borrowed an aggregate of *$1,000,000* from *seven* lenders, or the Lenders, and issued promissory notes, or the Promissory Notes, for the repayment of the amounts borrowed. The Lenders are all accredited investors, certain of the Lenders are shareholders of the Company, *one* of the Lenders is an affiliate of the Company's director, Greg Akselrud, and *two* of the lenders are each affiliated with a partner of Mr. Akselrud's in the law firm of Stubbs Alderton and Markiles, LLP. The Promissory Notes are unsecured, have a maturity date of *August 14, 2019* and all principal is due upon maturity. Amounts borrowed accrue interest at *12%* per annum and accrued interest is payable monthly. The Company also issued to the Lenders *three*-year warrants to purchase an aggregate of *1,000,000* shares of the Company's Common Stock at an exercise price of *$0.35* per share.

The fair value of the warrant amounted to *$104,676* and was capitalized as deferred financing costs, of which *$21,808* and *$0* was expensed at *December 31, 2017* and *2016,* respectively.

The Company owed *$1,000,000* and *$0* under the Promissory Notes at *December 31, 2017* and *2016,* respectively.

The Company recognized amortization and interest expenses in connection with the credit facility and loans for *2017* and *2016* as follows.

	2017	2016
Amortization expense associated with credit facility and loan	$*249,125*	$*239,707*
Interest expense associated with the credit facility and loan	$*851,544*	$*492,851*
Other finance fees associated with credit facility and loan	$*125,000*	$*483,583*

NOTE *6:* STOCKHOLDERS' EQUITY

Common Stock

During *2017,* the Company issued *1,707,692* and *160,096* shares of its Common Stock pursuant to the cashless exercise of *2,400,000* options and *225,000* warrants.

During *2017,* the Company sold *416,667* shares of its Common Stock in cash for the total consideration of *$125,000.*

During *2016,* the Company issued *5,714* shares of its Common Stock pursuant to the cashless exercise of *50,000* options.

During *2016,* the Company cancelled *1,890,000* Shares due to settlement (Note *9*) and thereafter the Company's issued and outstanding common stock decreased by approximately *3%.*

Restricted Stock

During the year ended *December 31, 2017,* the Company issued *120,000* restricted shares of its Common Stock, at a value of *$0.50* per share, vesting in *4* equal quarterly increments commencing on *July 1, 2017,* to each of its non-employee directors as partial annual compensation for services as a director. As of *December 31, 2017,* these restricted shares were fully issued and the Company recorded expenses of *$60,000* during the year ended *December 31, 2017* and *$60,000* remained as unvested stock award expenses to be amortized over next *six* months.

During the year ended *December 31, 2016,* the Company issued *120,000* restricted shares of its Common Stock, at a value of *$0.50* per share, vesting in *4* equal quarterly increments commencing on *July 1, 2016,* to each of its non-employee directors as partial annual compensation for services as a director. As of *December 31, 2017,* these restricted shares were fully issued and expensed. The Company recorded expenses of *$120,000* during the year ended *December 31, 2017.*

<u>Warrants</u>

The following is a summary of the Company's activity related to its warrants between *January 1, 2016* and *December 31, 2017:*

	Warrants	Weighted Average Price Per Share	Weighted Average Remaining Contractual Term
Balance, January 1, 2016	*6,667,699*	$ *1.25*	*3.69*
Granted	*3,790,277*	*0.47*	
Exercised	-	-	
Forfeitures	*(2,466,760*)	*1.33*	
Outstanding at December 31, 2016	*7,991,216*	$ *0.85*	*4.39*
Granted	*3,750,000*	*0.46*	
Exercised	*(225,000*)	*0.15*	
Forfeitures	*(46,875*)	*1.60*	
Outstanding at December 31, 2017	*11,469,341*	$ *0.74*	*3.89*

The fair value of the warrants granted during *2017* and *2016* is based on the BSM model using the following assumptions:

	2017			2016		
Effective Exercise price	$0.35	-	$0.50	$0.36	-	$0.50
Effective Market price	$0.35	-	$0.50	$0.36	-	$0.50
Volatility	67.73	-	68.48%	70.06	-	70.13%
Risk-free interest	1.48	-	2.33%	1.01	-	2.30%
Terms (years)	5	-	10	5	-	10
Expected dividend rate		0%			0%	

During the year ended *December 31, 2017,* the Company issued *2,000,000* new warrants in conjunction with the forfeiture of *2,000,000* options issued in *2016* on similar terms. Further, these are *5*-year warrant to purchase up to *2,000,000* shares of the Company common stock subject to quarterly vesting across *3* years (with the *first 58.33%* vested upon signing). The Company followed "Chapter *7* Modifications of Share-Based Payment Awards"- guidance. Accordingly, the Company calculated the value of exchanging awards and since there was *no* additional value, the Company continued to expense the unamortized portion related to the original cost.

During the year ended *December 31, 2017,* the Company issued *750,000* warrants to the employees, exercisable at a price of *$0.50* per share and which expire on *November 9, 2022.* The fair value of these warrants, which amounted to *$63,030,* will be accounted over the vesting terms.

During the year ended *December 31, 2017,* the Company issued *160,096* shares of its Common Stock pursuant to the cashless exercise of *225,000* warrants.

During the year ended *December 31, 2017, 46,875* warrants expired and the Company issued *1,000,000* warrants to the Lenders, exercisable at a price of *$0.35* per share and which expire on *August 14, 2020.* The fair value of these warrants, which amounted to *$104,676,* were recognized as deferred financing fees and amortized using the effective interest method over the terms of the associated loan.

During the years ended *December 31, 2017 and 2016,* the Company recorded expenses of *$566,860* and *$124,885,* respectively, related to warrants granted to employees.

During the years ended *December 31, 2017 and 2016, 225,000* and *0* warrants were exercised and *46,875* and *2,466,760* warrants were forfeited, respectively.

As of *December 31, 2017,* and *2016,* there were *11,469,341* and *7,991,216* warrants issued and outstanding, respectively, with a weighted average price of *$0.74* and *$0.85,* respectively.

Stock Option Plan

The Company has a Stock Option Plan, or the Plan, under which the total number of shares of capital stock of the Company that *may* be subject to options under the Plan is currently *22,500,000* shares of Common Stock from either authorized but unissued shares or treasury shares. The individuals who are eligible to receive option grants under the Plan are employees, directors and other individuals who render services to the management, operation or development of the Company or its subsidiaries and who have contributed or *may* be expected to contribute to the success of the Company or a subsidiary. Every option granted under the Plan shall be evidenced by a written stock option agreement in such form as the Board shall approve from time to time, specifying the number of shares of Common Stock that *may* be purchased pursuant to the option, the time or times at which the option shall become exercisable in whole or in part, whether the option is intended to be an incentive stock option or a non-incentive stock option, and such other terms and conditions as the Board shall approve. The Plan expired on *December 14, 2016.*

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The share-based payment is based on the fair value of the outstanding options amortized over the requisite period of service for option holders, which is generally the vesting period of the options. There were *no* options granted during *2017.* The fair value of the options granted during *2016* is based on the BSM model using the following assumptions:

	2016		
Effective exercise price	$0.32	-	$0.50
Effective market price	$0.32	-	$0.45
Volatility		70%	
Risk-free interest	0.71	-	0.88%
Terms (years)	3	-	4
Expected dividend rate		0%	

	Options	Weighted Average Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance, January 1, 2016	*13,590,000*	$ *0.48*	*4.83*	$*127,500*
Granted	*2,070,000*	*0.50*		
Exercised (1)	*(50,000*)	*0.31*		
Forfeitures	*(2,485,000*)	*1.00*		
Outstanding at December 31, 2016	*13,125,000*	$ *0.39*	*5.10*	$*1,760,425*
Granted	-			
Exercised (2)	*(2,400,000*)	*0.15*		
Forfeitures	*(2,422,500*)	*0.57*		
Outstanding at December 31, 2017	*8,302,500*	$ *0.40*	*4.42*	$ -
Exercisable at December 31, 2017	$*8,202,188*	$ *0.39*	*4.38*	$ -

(*1*) Consists of cashless exercise of *50,000* options in exchange for *5,714* shares of Common Stock

(*2*) Consists of cashless exercise of *2,400,000* options and *225,000* warrants in exchange for *1,707,692* and *160,096* shares of Common Stock, respectively

The share-based payment is based on the fair value of the outstanding options amortized over the requisite period of service for option holders, which is generally the vesting period of the options.

	2017	2016
Weighted-average grant date fair value	$-	$*0.19*
Fair value of options	$*175,999*	$*401,764*

The total compensation cost related to non-vested awards *not* yet recognized amounted to approximately *$47,681* at *December 31, 2017* and the Company expects that it will be recognized over the following weighted-average period of *33* months.

If any options granted under the Plan expire or terminate without having been exercised or cease to be exercisable, such options will be available again under the Plan. All employees of the Company and its subsidiaries are eligible to receive incentive stock options and non-qualified stock options. Non-employee directors and outside consultants who provided bona-fide services *not* in connection with the offer or sale of securities in a capital raising transaction are eligible to receive non-qualified stock options. Incentive stock options *may not* be granted below their fair market value at the time of grant or, if to an individual who beneficially owns more than *10%* of the total combined voting power of all stock classes of the Company or a subsidiary, the option price *may not* be less than *110%* of the fair value of the Common Stock at the time of grant. The expiration date of an incentive stock option *may not* be longer than *ten* years from the date of grant. Option holders, or their representatives, *may* exercise their vested options up to *three* months after their employment termination or *one* year after their death or permanent and total disability. The Plan provides for adjustments upon changes in capitalization.

The Company's policy is to issue shares pursuant to the exercise of stock options from its available authorized but unissued shares of Common Stock. It does *not* issue shares pursuant to the exercise of stock options from its treasury shares.

NOTE *7:* INCOME TAXES

The Company did *not* have material income tax provision (benefit) because of net loss and valuation allowances against deferred income tax provision for the years ended *December 31, 2017* and *2016.*

A reconciliation of the Company's effective tax rate to the statutory federal rate is as follows:

	Years Ended December 31,	
	2017	2016
Statutory federal rate	*21.0* %	*34.0* %
State income taxes net of federal income tax benefit	*0.0* %	*0.0* %
Permanent differences for tax purposes	*-0.3* %	*-0.1* %
Federal rate reduction	*-120.7*%	*0.0* %
Change in valuation allowance	*100.0* %	*-40.0*%
Effective income tax rate:	*0.0* %	*-6.1* %

The income tax benefit differs from the amount computed by applying the U.S. federal statutory tax rate of *21%,* primarily due to the change in the valuation allowance and state income tax benefit, offset by nondeductible expenses.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. The components of the deferred tax assets and liabilities are as follows:

	December 31,	
	2017	2016
Deferred tax assets:		
Net operating loss carryovers	$*4,377,202*	$*6,017,984*
Stock-based compensation	*1,886,250*	*2,177,926*
Other temporary differences	*1,058,115*	*1,080,361*
Total deferred tax assets	*7,321,567*	*9,276,271*
Valuation allowance	(*7,321,567*)	(*9,276,271*)
Net deferred tax asset	$-	$-

At *December 31, 2017,* the Company had available net operating loss carryovers of approximately *$15.2* million that *may* be applied against future taxable income and expires at various dates between *2025* and *2037,* subject to certain limitations. The Company has a deferred tax asset arising substantially from the benefits of such net operating loss deduction and has recorded a valuation allowance for the full amount of this deferred tax asset since it is more likely than *not* that some or all of the deferred tax asset *may not* be realized. The net change in the valuation allowance is primarily due to the net loss in *2017,* which increased net operating loss carryforward in *2017* compared to *2016.*

The Company files income tax returns in the U.S. federal jurisdiction and California and is subject to income tax examinations by federal tax authorities for tax years ended *2014* and later and by California authorities for tax years ended *2012* and later. The Company currently is *not* under examination by any tax authority. The Company's policy is to record interest and penalties on uncertain tax positions as income tax expense. As of *December 31, 2017,* the Company has *no* accrued interest or penalties related to uncertain tax positions.

NOTE *8:* SEGMENTS

The Company operates in *one* business segment. Percentages of sales by geographic region during *2017* and *2016* were approximately as follows:

	2017	2016
United States	*57%*	*62%*
Europe	*20%*	*20%*
Other	*23%*	*18%*

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NOTE *9:* COMMITMENTS AND CONTINGENCIES

During *August 2017,* the Company entered into an amendment to its original *January 2014* lease for certain office space in Newport Beach. Pursuant to the lease amendment, effective *March 1, 2018,* the premises shall be expanded to include an additional *1,332* usable square feet such that the premises shall consist of *11,728* usable square feet in the aggregate. In addition, pursuant to the terms of the lease amendment, the Company extended the term of the lease agreement until *June 30, 2023.* Commencing on *March 1, 2018,* the initial base rent for the premises will be *$38,702* per month for the *first* year and increasing to *$44,566* per month by the end of the term.

During *October 2016,* the Company amended its original *May 2014* sublease and entered into a *21*-month sublease in Newport Beach, effective *June 1, 2016.* The monthly base rent was approximately *$4,100* through the end of the sublease term, in *February 2018.*

During *July 2014,* the Company entered into a *five*-year lease for certain office space in a business center in London, England, which commenced on *July 30, 2014.* The base rent is GBP *89,667* (approximately *$115,000*) per year and the estimated service charges for the lease are GBP *45,658* (approximately *$56,000*) per year.

Future annual minimum payments required under operating lease obligations at *December 31, 2017* are as follows:

	Future Minimum Lease Payments
2018	$ 466,000
2019	$ 650,000

The Company entered into certain employment agreements with *two* of its executive officers which are still effective as of *December 31, 2017.* One of the agreements provides that it will generally terminate on *December 31, 2019* and the other will generally terminate on *June 30, 2021.* Under the agreements, the executive officers are entitled to annual base salaries of *$309,515.* Additionally, the agreements initially provided for an increase in base salary of *3%* on *January 1, 2014* and every year thereafter. If the Company elects to terminate the agreement(s) without cause, the respective executive officer is entitled to a severance payment of the greater of *one*-year annual base salary or the remaining payments due based on the agreement.

The commitments under such agreements over the next year are as follows:

Year	Commitments
2018	$ 1,135,000
2019	$ 497,472

Legal Proceedings

From time to time, the Company *may* become involved in legal proceedings arising in the ordinary course of business. The Company is *not* presently a party to any legal proceedings that it currently believes, if determined adversely to the Company, would individually or taken together have a material adverse effect on the Company's business, operating results, financial condition or cash flows.

On *November 29, 2016,* the Company entered into a settlement agreement and release, or the Settlement Agreement, with Jeff McCollum, or McCollum, to settle pending litigation between the Company and McCollum in the Superior Court of the State of California related to McCollum's termination as an executive officer of the Company on *September 8, 2014.* In connection with the Settlement Agreement, McCollum surrendered to the Company a stock certificate representing *1,890,000* shares of the Company's Common Stock, or the Shares, and for dismissal with prejudice of the cross-complaint and action against the Company brought by McCollum. The Company agreed to pay McCollum a total of *$2,700,000. $1,000,000* of this total has been already paid as of *January 18, 2017,* of which the Company's insurance carrier contributed *$500,000.* The remaining *$1,700,000* will be paid in *48* equal monthly installments starting on *July 1, 2017.* The Company previously cancelled McCollum's options to purchase up to *6,600,000* shares of the Company's Common Stock at exercise prices of *$0.15* or *$0.31* per share. The Company cancelled the *1,890,000* Shares and thereafter the Company's issued and outstanding common stock decreased by approximately *3%.* The Company recorded a loss on legal settlement of *$2,200,000,* net of the reimbursement of *$500,000,* which the Company received from its insurance carrier in *December 2016.* The outstanding settlement balance amounted to *$2,700,000* as of *December 31, 2016* pursuant to the Settlement Agreement, of which *$425,000* is classified as accounts payable and accrued expenses and *$1,062,500* as other long-term liabilities as of *December 31, 2017,* in the accompanying consolidated balance sheet.

NOTE *10:* SUBSEQUENT EVENTS

On *January 25, 2018,* the Company entered into a non-revolving term credit agreement, or the Beedie Credit Agreement, with Beedie Investments Limited, or Beedie, to borrow up to a maximum of *$7,000,000.* Outstanding principal will accrue interest at the rate of *12%* per annum increasing to *14%* per annum if the Company's gross margins fall below amounts specified in the Beedie Credit Agreement. Accrued interest on outstanding principal is payable monthly in arrears. The Company paid Beedie a commitment fee of *$175,000* and will pay to Beedie a monthly standby fee of *0.325%* on the unadvanced and available amount. Advances *may* be requested until *July 25, 2020* and outstanding principal must be paid in full on *January 25, 2021.* Prepayment, which if at the Company's option must be made in full and is otherwise required following certain asset dispositions, will be subject to a fee of *24* months accrued interest less all interest previously paid by the Company on the outstanding principal amount if paid prior to *January 25, 2020.* The initial minimum advance amount of *$4,500,000* was advanced on *January 26, 2018.* Approximately *$581,000* of the initial advance was used to repay Agility Capital to terminate the loan agreement between the Company and Agility dated *March 11, 2016,* as amended, and to release Agility Capital's security interest in Company assets. Approximately *$1,074,000* of the initial advance was used to repay the Promissory Notes issued to the Lenders on *August 14, 2017.*

The Beedie Credit Agreement contains customary covenants including, but *not* limited to, covenants to achieve specified adjusted EBITDA levels, to maintain minimum revenue renewal and liquidity levels, to maintain minimum gross margins, to maintain specified debt to monthly recurring revenue ratios, that limit capital expenditures and restrict the Company's ability to pay dividends, purchase and sell assets outside the ordinary course, and that limit the Company's ability to incur additional indebtedness. The occurrence of a material adverse change will be an event of default under the Beedie Credit Agreement, in addition to other customary events of default. Default interest will be charged at *18%* per annum. The Company granted Beedie a security interest, subordinated to the security interest of SaaS Capital, in all of the Company's assets through a pledge and security agreement, patent security agreement and trademark security agreement, each between the Company and Beedie. As additional security, the Company's Subsidiary issued an unlimited guarantee to Beedie. Beedie is entitled to board of director observation rights during the term of the Beedie Credit Agreement.

In connection with the Beedie Credit Agreement, the Company issued to Beedie a warrant, or the Beedie Warrant, to purchase up to *4,500,000* shares of the Company's common stock at an exercise price of *$0.35* per share subject to certain adjustments for dividends, splits or reclassifications, and a weighted average adjustment for certain issuances of common stock below the exercise price prior to *January 26, 2019.* Up to *2,500,000* additional shares of common stock under the Beedie Warrant will be exercisable on a pro rata basis to additional amounts borrowed if and when advanced under the Beedie Credit Agreement. The Beedie Warrant is exercisable for cash until *January 25, 2024.* The Beedie Warrant will be exercisable on a cashless basis at its expiration if notice of expiration is *not* timely provided by the Company to Beedie. The Beedie Warrant was issued under the exemption provided by Section *4*(a)(*2*) of the Securities Act of *1933* as amended, or the Securities Act.

Also on *January 25, 2018,* the Company entered into a *sixth* amendment, or the Sixth Amendment, of the SaaS Capital Loan to permit the Company to enter into the Beedie Credit Agreement and to permit the repayment of Agility Capital and the Lenders. The Sixth Amendment also amended the Company's adjusted EBITDA covenant and added covenants requiring a minimum gross margin and specified debt to monthly recurring revenue ratios.

In connection with the Sixth Amendment, the Company issued to SaaS Capital Partners II, LP, an affiliate of SaaS Capital, a warrant, or the SaaS Warrant, to purchase up to *200,000* shares of the Company's common stock at an exercise price of *$0.35* per share subject to certain adjustments for dividends, splits or reclassifications. The SaaS Warrant is exercisable for cash until the earlier of (i) *January 25, 2028,* or (ii) the date that is *5* years from the date the Company's equity securities are *first* listed for trading on NASDAQ. The SaaS Warrant was issued under the exemption provided by Section *4*(a)(*2*) of the Securities Act.

On *December 31, 2017,* the employment agreement of Dave Stewart, the Company's Chief Technology Officer, expired pursuant to its terms and Mr. Stewart has been an at-will employee since that time. On *February 26, 2018,* Mr. Stewart resigned from his position with the Company.