

Accelerize Inc.  
Form 10-Q  
May 11, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-Q**

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 31, 2015**

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: **000-52635**

**ACCELERIZE INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of incorporation or organization)

**20-3858769**

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

**20411 SW BIRCH STREET, SUITE 250**

**NEWPORT BEACH**

**CALIFORNIA 92660**

(Address of principal executive offices)

**(949) 515 2141**

(Registrant's Telephone Number, including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

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

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

Large accelerated filer  
Non-accelerated filer

Accelerated filer

Smaller reporting company

(Do not check if smaller reporting company)

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

The number of shares outstanding of the registrant's Common Stock, \$0.001 par value per share, as of May 8, 2015, was 62,823,458.

When used in this quarterly report, the terms "Accelerize," "the Company," "we," "our," and "us" refer to Accelerize Inc., a Delaware corporation.



## CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

This quarterly report on Form 10-Q contains certain forward-looking statements. Forward-looking statements may include our statements regarding our goals, beliefs, strategies, objectives, plans, including product and service developments, future financial conditions, results or projections or current expectations. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential" or "continue," the negative of such terms, or other comparable terminology. For example, when we discuss our expectations that our revenues will increase in 2015, our expansion plans, our new products, our intentions to grow revenues by investing in sales and marketing efforts, our spending on research and development, training, and support personnel, we are using forward-looking statements. These statements are subject to known and unknown risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those contemplated by the forward-looking statements. These factors include, but are not limited to, our ability to implement our strategic initiatives, economic, political and market conditions and fluctuations, government and industry regulation, interest rate risk, U.S. and global competition, and other factors. Most of these factors are difficult to predict accurately and are generally beyond our control. You should consider the areas of risk described in connection with any forward-looking statements that may be made herein. The business and operations of Accelerize Inc. are subject to substantial risks, which increase the uncertainty inherent in the forward-looking statements contained in this report. Except as required by law, we undertake no obligation to release publicly the result of any revision to these forward-looking statements that may be made to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events. Further information on potential factors that could affect our business is described under "Item 1A. Risk Factors" in our annual report on Form 10-K as filed with the Securities and Exchange Commission, or the SEC, on March 19, 2015. Readers are also urged to carefully review and consider the various disclosures we have made in this report and in our annual report on Form 10-K.

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**ACCELERIZE INC.**

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**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements**

ACCELERIZE INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

	March 31, 2015 (Unaudited)	December 31, 2014
<b>ASSETS</b>		
Current Assets:		
Cash	\$1,488,837	\$1,130,667
Accounts receivable, net of allowance for bad debt of \$15,808 and \$212,113, respectively	1,946,622	1,749,566
Prepaid expenses and other assets	218,641	204,268
Total current assets	3,654,100	3,084,501
Property and equipment, net of accumulated depreciation of \$1,063,158 and \$826,802, respectively	1,446,321	1,424,858
Customer relationships, net of accumulated amortization of \$870,369 and \$703,704, respectively	129,631	296,296
Deferred financing costs, net of accumulated amortization of \$26,867 and \$19,317, respectively	68,990	37,750
Other assets	126,814	132,988
Total assets	\$5,425,856	\$4,976,393
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current Liabilities:		
Accounts payable and accrued expenses	\$1,700,489	\$1,202,495
Deferred revenues	75,167	206,475
Total current liabilities	\$1,775,656	\$1,408,970
Line of credit	3,900,000	2,900,000
Total liabilities	5,675,656	4,308,970
Stockholders' Equity (Deficit)		

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Common stock; \$.001 par value; 100,000,000 shares authorized; 62,833,244 and 62,816,554 shares issued and outstanding, respectively	62,832	62,815
Additional paid-in capital	20,301,678	19,618,153
Accumulated deficit	(20,596,796)	(19,002,574)
Accumulated other comprehensive income	(17,514 )	(10,971 )
Total stockholders' equity (deficit)	(249,800 )	667,423
Total liabilities and stockholders' equity (deficit)	\$5,425,856	\$4,976,393

See Notes to Unaudited Condensed Consolidated Financial Statements.

## ACCELERIZE INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three-month periods ended	
	March 31, 2015	2014
Revenues:	\$5,199,662	\$3,427,197
Cost of revenue	1,317,766	789,099
Gross profit	3,881,896	2,638,098
Operating expenses:		
Research and development	875,382	576,786
Sales and marketing	2,133,924	1,622,449
General and administrative	2,454,446	803,168
Total operating expenses	5,463,752	3,002,403
Operating loss	(1,581,856 )	(364,305 )
Other income (expense):		
Interest income	32,978	-
Interest expense	(45,344 )	(3,309 )
Total other (expenses)	(12,366 )	(3,309 )
Net loss	\$(1,594,222 )	\$(367,614 )
Net loss per share:		
Basic	\$(0.03 )	\$(0.01 )
Diluted	\$(0.03 )	\$(0.01 )
Basic weighted average common shares outstanding	62,831,019	58,770,491
Diluted weighted average common shares outstanding	62,831,019	58,770,491

See Notes to Unaudited Condensed Consolidated Financial Statements.



ACCELERIZE INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Three-month periods ended	
	March 31, 2015	2014
Net (loss) income	\$ (1,594,222)	\$ (367,614)
Foreign currency translation gain (loss)	(6,543 )	1,330
Total other comprehensive income (loss)	(6,543 )	1,330
Comprehensive (loss) income	\$ (1,600,765)	\$ (366,284)

See Notes to Unaudited Condensed Consolidated Financial Statements.

## ACCELERIZE INC.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three-month periods ended	
	March 31, 2015	2014
Cash flows from operating activities:		
Net loss	\$ (1,594,222 )	\$ (367,614 )
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	403,021	257,036
Amortization of debt discount	7,550	3,003
Provision for bad debt	(196,305 )	(35,951 )
Fair value of options	636,667	143,777
Changes in operating assets and liabilities:		
Accounts receivable	(751 )	(336,782 )
Prepaid expenses	(14,373 )	8,143
Accounts payable and accrued expenses	461,045	(206,803 )
Deferred revenues	(131,308 )	(25,311 )
Other assets	6,174	(37,148 )
Net cash used in operating activities	(422,502 )	(597,650 )
Cash flows from investing activities:		
Capitalized software for internal use	(177,424 )	(153,996 )
Capital expenditures	(44,947 )	(37,875 )
Net cash used in investing activities	(222,371 )	(191,871 )

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Cash flows from financing activities:			
Proceeds from line of credit	1,000,000		500,000
Payment of financing costs	-		(40,000 )
Net proceeds from exercise of options and warrants	9,586		301,876
Net cash provided by financing activities	1,009,586		761,876
Effect of exchange rate changes on cash			
	(6,543 )		1,200
Net increase (decrease) in cash	358,170		(26,445 )
Cash, beginning of period	1,130,667		1,157,315
Cash, end of period	\$ 1,488,837	\$	1,130,870
Supplemental disclosures of cash flow information:			
Cash paid for interest	\$ -	\$	-
Cash paid for income taxes	\$ -	\$	-
Non-cash investing and financing activities:			
Fair value of warrants issued in connection with line of credit	\$ 37,289	\$	32,067
Capital expenditure included in accounts payable	\$ 35,448	\$	-

See Notes to Unaudited Condensed Consolidated Financial Statements.



**ACCELERIZE INC.**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**NOTE 1: ORGANIZATION AND DESCRIPTION OF BUSINESS**

Accelerize Inc., 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 expanding their online advertising spend.

The condensed consolidated balance sheet presented as of December 31, 2014 has been derived from our audited consolidated financial statements. The unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the SEC. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America, have been omitted pursuant to those rules and regulations, but we believe that the disclosures are adequate to make the information presented not misleading. The unaudited condensed consolidated financial statements and notes included herein should be read in conjunction with the annual financial statements and notes for the year ended December 31, 2014 included in our Annual Report on Form 10-K filed with the SEC on March 19, 2015. In the opinion of management, all adjustments, consisting of normal, recurring adjustments and disclosures necessary for a fair presentation of these interim statements have been included. The results of operations for the three-month period ended March 31, 2015 are not necessarily indicative of the results for the year ending December 31, 2015.

Principles of Consolidation

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

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Use of Estimates

The preparation of unaudited condensed 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.

Cash and Cash Equivalents

The Company considers all highly liquid temporary cash investments with an original maturity of three months or less when purchased, to be cash equivalents.

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 deducted from the allowance.

	March	December
	31,	31,
	2015	2014

Allowance for doubtful accounts	\$15,808	\$212,113
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### Concentration of Credit Risks

The Company is subject to concentrations of credit risk primarily from cash and 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 the three-month period ended March 31, 2015, 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 the financial institution 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 March 31, 2015 or December 31, 2014. 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.

	Three-month periods ended,	
	March	March
	31,	31,
	2015	2014
Advertising expense	\$ 151,497	\$ 32,211

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 balance sheet accounts using exchange 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 unaudited condensed 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 \$177,424 during the three-months ended March 31, 2015. 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 \$855,294 and \$604,230 at March 31, 2015 and December 31, 2014, respectively. The Company's amortization expenses associated with capitalized software development costs amounted to approximately \$163,854 during the three-month period ended March 31, 2015. 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 the three-month periods ended March 31, 2015 and 2014. 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

Recent accounting pronouncements have been issued but deemed by management to be outside the scope of relevance to the Company.

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).

	Three-months ended	
	March 31, 2015	2014
Numerator:		
Net loss	\$(1,594,222 )	\$(367,614 )
Denominator:		
Denominator for basic earnings per share-weighted average shares	62,831,019	58,770,491
Effect of dilutive securities-when applicable:		
Stock options	-	-
Warrants	-	-
Denominator for diluted earnings per share-adjusted weighted-average shares and assumed conversions	62,831,019	58,770,491
Loss per share:		
Basic	\$(0.03 )	\$(0.01 )
Diluted	\$(0.03 )	\$(0.01 )
Weighted-average anti-dilutive common share equivalents	19,752,825	24,496,668

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:

	March 31, 2015	December 31, 2014
Internal use software costs	\$1,466,791	\$1,289,367
Computer equipment and software	534,951	476,963
Office furniture and equipment	204,965	187,263
Leasehold improvements	302,772	298,067
	2,509,479	2,251,660
Accumulated depreciation	(1,063,158)	(826,802 )
	\$1,446,321	\$1,424,858

	Three-month periods ended	
	March 31, 2015	March 31, 2014
Depreciation expense	\$72,502	\$32,347
Amortization expense on internal software	\$163,854	\$58,023

**NOTE 3: PREPAID EXPENSES**

At March 31, 2015 and December 31, 2014, the Company's prepaid expenses consisted primarily of prepaid insurance and rent.

**NOTE 4: CUSTOMER RELATIONSHIPS**

During November 2013, the Company completed its acquisition of certain customer relationships of a former competitor. Pursuant to the acquisition, the Company paid \$1 million payable in four installments of \$250,000 every quarter, beginning March 2014. The Company paid the final installment of \$250,000 in December 2014 and has no outstanding balance under this arrangement. The Company has capitalized the acquisition cost, which approximates fair value of the customer relationships, which amounts to \$1,000,000 at March 31, 2015. The Company amortizes such customer relationships over a period of 18 months. The Company incurred amortization expense related to the customer relationships of \$166,665 during the three-month period ended March 31, 2015. The amortization amount for the Customer relationships over the remaining useful life is as follows:

Remainder of 2015	\$ 129,631
Total Remaining Unamortized Customer Relationship Expense	\$ 129,631

**NOTE 5: 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.

	March 31, 2015	December 31, 2014
Deferred revenues	\$ 75,167	\$ 206,475

**NOTE 6: LINE OF CREDIT**

On September 30, 2014, the Company entered into an amendment of its line of credit, or the Line of Credit, with 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. Amounts borrowed will accrue 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 is payable monthly and all other amounts borrowed will be payable in full on the maturity date of March 17, 2016, which maturity date may be extended to March 17, 2017 if the Company provides the Lender with a fully-funded business plan acceptable to the Lender by January 15, 2016 and no event of default has occurred. The Line of Credit may be earlier terminated without a prepayment fee.

The Line of Credit, as amended, contains covenants including, but not limited to, covenants to achieve specified Adjusted EBITDA levels, as defined, and customer renewal levels, limiting capital expenditures, requiring minimum liquidity and restricting the Company's ability to pay dividends, purchase and sell assets outside the ordinary course and incur additional indebtedness. As of March 31, 2015, the Company was in compliance with these covenants. The occurrence of a material adverse change, as defined, will be an event of default under the Line of Credit, in addition to other customary events of default. The Company granted the Lender a security interest in all of the Company's personal property and intellectual property.

The Company borrowed \$1,000,000 from the Line of Credit during the three-month period ended March 31, 2015. The Company owed \$3,900,000 under the Line of Credit at March 31, 2015. The interest rate for the amount borrowed was 5.5% per annum.

In connection with the original Line of Credit, the Company issued to the Lender a warrant to purchase up to 46,875 shares of the Company's Common Stock at an exercise price of \$1.60 per share. The warrant expires on March 17, 2017. The fair value of the warrant amounted to \$32,067. On March 27, 2015, in connection with an obligation under the Line of Credit when borrowings thereunder exceed \$3,000,000, the Company issued to the Lender a warrant to purchase 58,824 shares of the Company's 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.

Additionally, the Company paid \$1,200 to the Lender in financing costs. The fair value of the warrants as well as the financing costs not expensed, which amounted to \$1,500, were capitalized as deferred financing costs at March 31, 2015. The Company recognized an amortization expense of \$7,550 in connection with such deferred financing costs at March 31, 2015.



	Three-month periods ended	
	March	March
	31,	31,
	2015	2014
Amortization expense associated with line of credit	\$7,550	\$3,309
Interest expense associated with line of credit	\$37,455	\$-

**NOTE 7: STOCKHOLDERS' EQUITY**

Common Stock

During the three-month periods ended March 31, 2015 and 2014, the Company generated proceeds of \$9,586 and \$301,876 from the exercise of 11,457 options and 862,500 warrants, respectively.

During the three-month periods ended March 31, 2015 and 2014, the Company issued 5,233 and 519,252 shares of its Common Stock pursuant to the cashless exercise of 11,458 and 600,000 options and warrants, respectively.

Warrants

During the three-month period ended March 31, 2015, the Company issued 58,824 warrants to the Lender. The warrants are exercisable at the price of \$1.53 per share and expire on March 27, 2018. The fair value of these warrants which amounted to \$37,289, has been recognized as deferred financing fees and is amortized using the effective interest method over the terms of the associated Line of Credit.

The fair value of the warrants granted during the three-month period ended March 31, 2015 is based on the BSM model using the following assumptions:

Effective Exercise price	\$1.60
Effective Market price	\$1.60
Volatility	64 %
Risk-free interest	0.9 %
Term (years)	3
Expected dividend rate	0 %

During the three months ended March 31, 2015 and 2014, the Company recorded expenses of \$284,093 and \$0, respectively, related to warrants granted to employees in prior years.

Stock Option Plan

On December 15, 2006, the Company's Board of Directors and stockholders approved the Company's Stock Option Plan, or the Plan. The total number of shares of capital stock of the Company that may be subject to options under the Plan is 22,500,000 shares of Common Stock, following an increase from 10,000,000 shares to 15,000,000 shares of Common Stock in May 2011, and from 15,000,000 shares to 22,500,000 shares of Common Stock on March 27, 2012, 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.

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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. The fair value of the options granted during the three-month periods ended March 31, 2015 and 2014 is based on the BSM model using the following assumptions:

	March 31, 2015		March 31, 2014	
Effective Exercise price	\$	1.40	\$ 1.43	- 1.60
Effective Market price	\$	1.40	\$ 1.43	- 1.60
Volatility		62%		64%
Risk-free interest		0.9%		0.9%
Terms (years)	3	- 4		4
Expected dividend rate		0%		0%

The Company generally recognizes its share-based payment over the vesting terms of the underlying options.

	Three-month periods ended	
	March 31, 2015	March 31, 2014
Weighted-average grant date fair value	\$0.66	\$0.73
Fair value of options, recognized as selling, general, and administrative expenses	\$352,574	\$143,777
Number of options granted	22,500	907,500

The total compensation cost related to non-vested awards not yet recognized amounted to approximately \$1,664,000 at March 31, 2015 and the Company expects that it will be recognized over the following weighted-average period of 48 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 8: COMPREHENSIVE (LOSS) INCOME**

Comprehensive (loss) income includes changes in equity related to foreign currency translation adjustments. The following table sets forth the reconciliation from net (loss) income to comprehensive (loss) income for the three-month periods ended March 31, 2015 and 2014:

	Three months ended	
	March 31,	
	2015	2014
Net loss	\$(1,594,222)	\$(367,614)
Other comprehensive income (loss):		
Foreign currency translation adjustment	(6,543 )	1,330
Comprehensive loss	\$(1,600,765)	\$(366,284)

The following table sets forth the balance in accumulated other comprehensive loss as of March 31, 2015 and December 31, 2014, respectively:

	March	December
	31,	31,
	2015	2014
Accumulated other comprehensive income loss	\$(17,514)	\$(10,971 )

**NOTE 9: SEGMENTS**

The Company operates in one business segment. Percentages of sales by geographic region for the three-month periods ended March 31, 2015 and 2014 were approximately as follows:

	Three-month periods ended	
	March 31,	
	2015	2014
United States	74 %	81 %

Europe	18 %	15 %
Other	8 %	4 %

**NOTE 10: COMMITMENTS AND SUBSEQUENT EVENTS**

During January 2014, the Company entered into a 4-year lease for certain office space in Newport Beach, effective February 1, 2014. Under the terms of the lease, the Company initially pays monthly base rent of approximately \$22,000 increasing incrementally to approximately \$25,000.

During May 2014, the Company entered into a one year sublease in Newport Beach, effective May 1, 2014. The Company initially pays monthly base rent of approximately \$10,000 per month, increasing to approximately \$11,000 per month by the end of the lease term.

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 per year and the estimated service charges for the lease are GBP 45,658 per year. The Company will pay an estimated GBP 60,000 for furniture, cabling and build out of the office space.

## **ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

*The following discussion of our financial condition and results of operations should be read in conjunction with the financial statements and related notes included elsewhere in this report and our Annual Report on Form 10-K for the year ended December 31, 2014. Certain statements in this discussion and elsewhere in this report constitute forward-looking statements. See "Cautionary Statement Regarding Forward Looking Information" elsewhere in this report. Because this discussion involves risk and uncertainties, our actual results may differ materially from those anticipated in these forward-looking statements.*

### **Overview**

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

Our revenue model is based on a monthly license fee, a usage fee (based on volume of clicks, impressions, or leads), a training and implementation fee, and in certain cases, professional services fees and royalties. Clients purchase annual or monthly subscriptions with an additional usage fee. A majority of our revenue is derived from clients in the United States but we have seen a 37% growth in our client base outside of the United States during the three-month period ended March 31, 2015 when compared to the same period in 2014.

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 could foresee some savings in infrastructure cost due to economies of scale. However, we want to continue to invest in these areas to support our growth. To go-to-market with our recently released new product, CAKE for Advertisers, enterprise sales representatives were added and marketing programs were created to properly launch and market the product to global advertisers. In addition, development resources were required to design and develop CAKE for Advertisers.

We experienced 52% year over year growth in revenue during the three-month period ended March 31, 2015 when compared to the same period in 2014. The organic growth has been a result of providing the marketing technology industry a comprehensive suite of marketing intelligence tools through innovation and what we believe to be a superior product and customer experience.



We intend to grow revenues by investing in sales, marketing, and product development and innovation. We are currently hiring and will continue to hire sales executives globally to target specific verticals and accounts with both agencies and advertisers. We will allocate a significant portion of our marketing budget to being present at tradeshows, industry publications, and providing the support documentation required by sales initiatives. Additional efforts will be made to speak at industry events and write for online publications, increasing awareness of the CAKE suite of products 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) 515-2141. Our corporate website is: [www.accelerize.com](http://www.accelerize.com), the contents of which are not part of this quarterly report.

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

**Results of Operations**

ACCELERIZE INC.

## UNAUDITED CONDENSED CONSOLIDATED RESULTS OF OPERATIONS

	Three-month periods ended		Increase/	Increase/	
	March 31, 2015	2014	(Decrease)	(Decrease)	
			in \$ 2015 vs 2014	in % 2015 vs 2014	
Revenues	\$5,199,662	\$3,427,197	\$1,772,465	51.7	%
Cost of revenues	1,317,766	789,099	528,667	67.0	%
Gross Profit	3,881,896	2,638,098	1,243,798	47.1	%
Operating expenses:					
Research and development	875,382	576,786	298,596	51.8	%
Sales and marketing	2,133,924	1,622,449	511,475	31.5	%
General and administrative	2,454,446	803,168	1,651,278	205.6	%
Total operating expenses	5,463,752	3,002,403	2,461,349	82.0	%
Operating loss	(1,581,856)	(364,305 )	(1,217,551)	334.2	%
Other income (expense):					
Interest income	32,978	-	32,978	100	%
Interest expense	(45,344 )	(3,309 )	(42,035 )	1270.3	%
Total other expenses	(12,366 )	(3,309 )	(9,057 )	273.7	%
Net loss	\$(1,594,222)	\$(367,614 )	\$(1,226,608)	333.7	%

**Discussion of Results for Three-Month Periods Ended March 31, 2015 and 2014****Revenues**

	Three Months Ended		%
	March 31,		Change
	2015	2014	
<b>Revenues</b>	\$5,199,662	\$3,427,197	51.7 %

We generate revenues from a training and implementation (also known as on-boarding) fee and a monthly licensing fee, supplemented by per-transaction fees paid by customers for monthly platform usage. In certain cases we also generate professional service fees and royalties.

The increase in our software licensing revenues during the three-month period ended March 31, 2015, when compared to the prior year period, 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 higher usage of our SaaS platform. Our number of average clients increased 19% during the three-month period ended March 31, 2015, when compared to the prior year period, and our average monthly fee per customer increased 14% during the three-month period ended March 31, 2015, when compared to the prior year period. The increase in the number of customers using our SaaS products and services during the three-month period ended March 31, 2015 is primarily due to the increased resources we have devoted to customer acquisition for our SaaS products. The higher usage by our existing customers of the same products is primarily due to higher market acceptance among our larger users who generate a higher volume of transactions.

We believe that our SaaS revenues will continue to increase during the remainder of 2015 when compared to 2014.

**Cost of Revenues**

	Three Months Ended		%
	March 31,		Change
	2015	2014	
<b>Cost of Revenues</b>	\$1,317,766	\$789,099	67.0 %

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 the three-month period ended March 31, 2015, when compared to the prior year period, cost of revenues significantly increased reflecting the higher number of employees we hired to support customer on-boarding and training activities, which increased our personnel costs by approximately \$494,000, when compared to the same period in 2014, as well as web hosting fees incurred to support our increased number of clients and platform usage, which increased by approximately \$451,000, when compared to the same period in 2014.

We believe that our cost of revenues will continue to increase, at lower percentages than our anticipated increase in revenues, during the remainder of 2015, when compared to 2014.

### Research and Development Expenses

Three Months Ended		%
March 31, 2015	2014	

<b>Research and Development</b>	\$875,382	\$576,786	51.8	%
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Research and development expenses consist primarily of personnel costs associated with the enhancement and the 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 the three-month period ended March 31, 2015, when compared to the prior year period, due to increased staff assigned to the enhancement and maintenance of our software services, which translated into increased personnel costs, offset by the capitalization of software development costs which amounted to \$177,424 during the three-month period ended March 31, 2015.

We believe that our research and development expenses will continue to increase during the remainder of 2015, when compared to 2014, as we continue to enhance the features of our SaaS platform.

**Sales and Marketing Expenses**

	Three Months Ended		%
	March 31,		Change
	2015	2014	
<b>Sales and Marketing</b>	\$2,133,924	\$1,622,449	31.5 %

Sales and marketing expenses primarily consist of personnel costs associated with the sale and the 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 the three-month period ended March 31, 2015, when compared to the prior year period, is primarily due to the increased number of employees associated with the sale of our products as well as increased expenditures in our marketing programs, primarily trade shows. Additionally, we amortized intangible assets and customer relationships of \$166,665 during the three-month period ended March 31, 2015.

We believe that our sales and marketing expenses will continue to increase in 2015 as we continue to hire more sales and marketing personnel in the U.S. and in Europe in anticipation of increased revenues and as we increase our expenditures in certain marketing programs, such as trade shows. Additionally, the remaining amortization expense of the customer relationships we acquired from our former competitor in November 2013 will amount to \$129,631 during the remainder of 2015.

**General and Administrative Expenses**

	Three Months Ended		%
	March 31,		Change
	2015	2014	
<b>General and administrative</b>	\$2,454,446	\$803,168	205.6 %

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 increase in general and administrative expenses during the three-month period ended March 31, 2015, when compared with the prior year period, is primarily due to the increased number of employees hired to support our organization, mostly in HR, recruiting, and accounting functions which were not present during the first quarter of 2014. Increased legal, investor relations, rent, and stock-based compensation expenses contributed to the overall increase when compared to the same period last year. Furthermore, as we continued to expand in Europe in the first quarter of 2015, we incurred increased up-front expenses related to developing and integrating our operations in Europe prior to a commensurate increase in revenues.

We believe that our general and administrative expenses will continue to increase during the remainder of 2015 as we expect that the scope of our operations will continue to increase.

### Other Income/Interest Income

Three Months Ended March 31, 2015	2014	% Change
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<b>Other Income/Interest Income</b>	\$32,978	\$ -	100	%
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Other Income during the three-month period ended March 31, 2015 consisted of rent income from a sublease of our Santa Monica office space and profit from sale of non-inventory assets.

### Other Expense/Interest Expense

Three Months Ended March 31, 2015	2014	% Change
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<b>Other Expense/Interest Expense</b>	\$(45,344)	\$(3,309)	1270.3	%
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Other expense consists of interest charges and amortization of deferred financing costs associated with our Line of Credit with the Lender.

The increase in interest expenses during the three-month period ended March 31, 2015 is primarily due to borrowings we have made from time to time under the Line of Credit. Our interest expense may change during the remainder of 2015 depending on our liquidity needs and we may choose to further finance our working capital needs through our operations, from our Line of Credit, or by issuing equity securities.



**Liquidity and Capital Resources**

	Ending balance at		Average balance during	
	March 31,		three months ended	
	2015	2014	2015	2014
Cash	\$1,488,837	\$1,130,870	\$1,309,752	\$1,144,093
Accounts receivable	1,946,622	1,414,404	1,848,094	1,228,038
Accounts payable and accrued expenses	1,700,489	1,495,774	1,451,492	1,599,391
Convertible notes payable excluding debt discount	-	-	-	-
Notes payable, excluding debt discount	-	-	-	-
Line of Credit	3,900,000	500,000	3,400,000	250,000

At March 31, 2015 and 2014, 63% and 58%, respectively, of our total assets consisted of cash and 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 other financing activities. Most recently, we have entered into the Line of Credit.

We do not have any material commitments for capital expenditures of tangible items. We routinely purchase computer equipment and technology to maintain or enhance the productivity of our employees and such capital expenditures were \$37,875 and \$47,806, respectively, during the three-month period ended March 31, 2015 and 2014.

On September 30, 2014, we entered into an amendment of our Line of Credit with 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 will accrue 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 is payable monthly and all other amounts borrowed will be payable in full on the maturity date of March 17, 2016, which maturity date may be extended to March 17, 2017 if we provide the Lender with a fully-funded business plan acceptable to the Lender by January 15, 2016 and no event of default has occurred. The Line of Credit may be earlier terminated without a prepayment fee.

The Line of Credit, as amended, contains covenants including, but not limited to, covenants to achieve specified Adjusted EBITDA levels and customer renewal levels, limiting capital expenditures, requiring minimum liquidity and restricting our ability to pay dividends, purchase and sell assets outside the ordinary course and incur additional indebtedness. As of March 31, 2015, we were in compliance with these covenants. The occurrence of a material adverse change, as defined, will be an event of default under the Line of Credit, in addition to other customary events of default. We granted the Lender a security interest in all of our personal property and intellectual property.

We owed \$3,900,000 under the Line of Credit at March 31, 2015. The interest rate for the amount borrowed was 5.5% per annum.

We believe we have sufficient cash to fund our operations for the next 12 months. We currently expect to use cash balances, borrowings under the Line of Credit, and net proceeds from offerings of our equity securities to fund our future operations, capital expenditures and other expenses. We currently have an effective shelf registration statement that allows us to issue public securities on an expedited basis, but it does not assure that there will be buyers for such securities. Our ability to obtain, and the costs of, any future financings will depend primarily on our success, profitability and market conditions, among other factors.

**Changes in Cash Flows**

	Three-month periods ended	
	March 31, 2015	2014
Cash flows from operating activities:		
Net loss	\$(1,594,222)	\$(367,614)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	403,021	257,036
Amortization of debt discount	7,550	3,003
Provision for bad debt	(196,305 )	(35,951 )
Fair value of options	636,667	143,777
Changes in operating assets and liabilities:		
Accounts receivable	(751 )	(336,782)
Prepaid expenses	(14,373 )	8,143
Accounts payable and accrued expenses	461,045	(206,803)
Deferred revenues	(131,308 )	(25,311 )
Other assets	6,174	(37,148 )
Net cash used in operating activities	(422,502 )	(597,650)
Cash flows from investing activities:		
Capitalized software for internal use	(177,424 )	(153,996)
Capital expenditures	(44,947 )	(37,875 )
Net cash used in investing activities	(222,371 )	(191,871)
Cash flows from financing activities:		
Proceeds from line of credit	1,000,000	500,000
Payment of financing costs	-	(40,000 )
Net proceeds from exercise of options and warrants	9,586	301,876
Net cash provided by financing activities	1,009,586	761,876
Effect of exchange rate changes on cash	(6,543 )	1,200
Net increase (decrease) in cash	358,170	(26,445 )

*Three months ended March 31, 2015*

The increase in accounts receivable as of March 31, 2015 is primarily due to a commensurate increase in revenues. The increase in accounts payable and accrued expenses during the three-month period ended March 31, 2015 is primarily due to the accrual of commission payments of approximately \$115,000 and certain scheduled bonuses totaling approximately \$110,000.

Cash used in investing activities during the three-month period ended March 31, 2015 consists of recurring purchases of computer equipment and other capital expenditures of approximately \$45,000, and capitalization of development costs for internal-use software of approximately \$177,000.

Cash provided by financing activities during the three-month period ended March 31, 2015 resulted primarily from a \$1,000,000 draw down on the Line of Credit during the three-month period ended March 31, 2015.

The increase in net cash flows during the three-month period ended March 31, 2015 was due primarily to proceeds from the Line of Credit necessary to support our existing and anticipated growth.

*Three months ended March 31, 2014*

The increase in accounts receivable as of March 31, 2014 is primarily due to a commensurate increase in revenues. The decrease in accounts payable and accrued expenses during the three-month period ended March 31, 2014 is primarily due to a payment of \$250,000 to our former competitor, following the purchase of customer relationships.

Cash used in investing activities during the three-month period ended March 31, 2014 consists of recurring purchases of computer equipment and other capital expenditures of approximately \$38,000, and capitalization of development costs for internal-use software of approximately \$154,000.

Cash provided by financing activities during the three-month period ended March 31, 2014 resulted from the proceeds from the exercise of warrants of approximately \$302,000 and a \$500,000 draw down on the Line of Credit on March 17, 2014. This amount was offset by \$40,000 in financing costs.

Despite an increase in revenues, the decrease in net cash flows during the three-month period ended March 31, 2014 was due to a higher increase in web-hosting and payroll costs, as well as an increase in accounts receivable and a decrease in accounts payable and accrued expenses due primarily to higher operating costs necessary to support our growth.

## **Capital Raising Transactions**

### **Exercise of warrants**

There were no proceeds generated from the exercise of warrants during the three-month period ended March 31, 2015.

### **Other outstanding obligations at March 31, 2015**

#### Line of Credit

During the three months ended March 31, 2015, we borrowed an additional \$1,000,000 under the Line of Credit. As of March 31, 2015, we owed \$3,900,000 under the Line of Credit.

#### Warrants

As of March 31, 2015, 5,400,699 shares of our Common Stock are issuable pursuant to the exercise of warrants.

#### Options

As of March 31, 2015, 14,375,836 shares of our Common Stock are issuable pursuant to the exercise of options.

## **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements.

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## **Item 4. Controls and Procedures**

### *Evaluation of Disclosure Controls and Procedures*

Our management, with the participation of our Chief Executive Officer, who is our principal executive officer, and our Chief Financial Officer, who is our principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Based upon that evaluation, our principal executive officer and principal financial officer concluded that, as of March 31, 2015, our disclosure controls and procedures are effective in ensuring that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, including ensuring that such material information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

### *Changes in Internal Control Over Financial Reporting*

During the quarter ended March 31, 2015, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **PART II - OTHER INFORMATION**

### **Item 1. Legal Proceedings**

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, including the following, 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.

On February 22, 2015, we commenced an action against Jeff McCollum, the former President of our CAKE division, by filing a complaint in the Superior Court of the State of California, County of Orange, Central District, asserting claims against Mr. McCollum for fraud, breach of contract, and breach of fiduciary duty, among others. Our complaint asserts that, during Mr. McCollum's employment, he engaged in fraud, breached his fiduciary duties to us

and our shareholders, and breached the terms of his employment contract in connection with his duties to us. We terminated Mr. McCollum's employment on September 8, 2014 for cause as defined in Mr. McCollum's employment agreement as a result of, among other things, Mr. McCollum having abandoned his position and professional responsibilities. Our complaint additionally asserts that following our termination of Mr. McCollum, he illegally accessed and downloaded our proprietary and confidential information, converted our property, and destroyed relevant evidence. In addition to a temporary restraining order, preliminary injunction, and permanent injunction, all enjoining Mr. McCollum from further breaching his employment agreement, we seek general and special damages, pre- and post-judgment interest, and costs of suit according to proof, plus any other legal or equitable relief as the court may deem just and proper. On March 26, 2015, we filed a First Amended Complaint clarifying the trade secret cause of action. Mr. McCollum filed a motion to strike Portions of that First Amended Complaint but, on April 29, 2015, the court denied that motion in its entirety.

On February 23, 2015, Mr. McCollum commenced a separate action by filing a complaint in the Superior Court of the State of California, County of Orange, Central District, asserting claims against us for violation of California Commercial Code §8401 and breach of fiduciary duty arising from Mr. McCollum's request to have the restrictive legend removed from his share certificate representing shares of our Common Stock owned by him. Mr. McCollum alleges that we contend that the restriction should remain on his share certificate. Mr. McCollum has requested a judicial determination as to his rights to have the restrictive legend removed from his share certificate, and an order compelling the Company to issue him a new certificate without a restrictive legend. He also seeks compensatory and punitive damages, pre-judgment interest, an award of costs, and any other relief the court may deem proper. On March 26, 2015 we filed a demurrer to this action, asserting that Mr. McCollum's complaint fails to state facts sufficient to constitute a cause of action against us.

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

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. This warrant was exempt from registration pursuant to Section 4(a)(2) under the Securities Act of 1933, as amended, as not involving any public offering.



**Item 6. Exhibits**

4.1 Warrant to Purchase Stock issued March 27, 2015.\*

10.1 Second Amendment to Loan Agreement, dated March 5, 2015, between Accelerize Inc. and Square1 Bank.\*

10.2 Third Amendment to Loan Agreement, dated March 19, 2015, between Accelerize Inc. and Square1 Bank.\*

10.3 Form of Stock Option Agreement.\*

10.4 Form of Stock Option Agreement.\*

10.5 Amendment No. 4 to Employment Agreement, dated May 6, 2015, between Accelerize Inc. and Santi Pierini.\*

31.1 Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) and 15d-14(a).\*

31.2 Certification of Principal Financial Officer Pursuant to Rule 13a-14(a) and 15d-14(a).\*

32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. 1350.\*\*

32.2 Certification of Principal Financial Officer Pursuant to 18 U.S.C. 1350.\*\*

101. The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) the Balance Sheets, (ii) the Statements of Operations, (iii) the Statements of Comprehensive (Loss) Income, (iv) the Statements of Cash Flows, and (v) related notes to these financial statements.\*

\* Filed herewith.

\*\*Furnished herewith.

**SIGNATURES**

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

**ACCELERIZE INC.**

Dated: May 11, 2015 By: /s/ Brian Ross  
Brian Ross

President and Chief Executive Officer

(Principal Executive Officer)

Dated: May 11, 2015 By: /s/ Michael Lin  
Michael Lin  
Chief Financial Officer  
(Principal Financial Officer)