

Accelerize Inc.
Form 10-K
March 17, 2016
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-K

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

For the fiscal year ended December 31, 2015

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) (IRS 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

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

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

Indicate by check mark whether the registrant 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 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.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 aggregate market value of the common equity voting shares of the registrant held by non-affiliates on June 30, 2015, the registrant's most recently completed second fiscal quarter, was \$98,176,181. For purposes of this calculation, an aggregate of 8,285,242 shares of Common Stock were held by the directors and officers of the registrant on June 30, 2015 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 16, 2016: 65,059,540

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.

WARNING 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,” “PREDICT,” “WILL,” “POTENTIAL,” OR SIMILAR EXPRESSIONS, WE ARE MAKING FORWARD LOOKING STATEMENTS. FOR EXAMPLE, WHEN WE DISCUSS OUR EXPECTATIONS THAT OUR REVENUES WILL INCREASE IN 2016, 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.

2015 ANNUAL REPORT ON FORM 10-K

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PART I

Item 1. Business

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 advertisers, networks, 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.

On September 30, 2014, we announced a new product offering purpose built for brand advertisers to unify the tracking, attribution and optimization of digital marketing spend across search, display, email, video, social, affiliate and other marketing channels. CAKE for Advertisers allows brands to move beyond the confines of siloed data to track, attribute and optimize digital marketing campaigns in real-time. In 2015, the product was enhanced to include machine learning, multi-touch attribution capabilities. These new capabilities enhance our existing rules-driven attribution to programmatically allow marketers to analyze complex customer journeys; enabling planning and marketing course correction decisions to drive better return on investment of advertising spend.

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 solutions are based on reliable, feature rich technology and are bolstered by the industry's leading customer service and top tier technology partners-assuring the highest level of uptime.

On January 5, 2016, Gartner, Inc. updated its coverage of us and 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, we have hub-like real-time multichannel data management and onboarding capabilities. CAKE is for enterprise performance marketers looking to optimize lead generation and customer acquisition through affiliate and direct marketing channels.

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 16% 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, and London, England, 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 the products. Those resources were used to extend our software platform and to create specific integrations to third party technologies that include, but are not limited to, Google AdWords, Bing Ads, YouTube, Facebook, DoubleClick and Marketo.

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 tradeshow, writing for and participating in 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) 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, cloud research predicted that spending on public IT cloud services would reach \$47.4 billion in 2013 and is expected to be more than \$107 billion in 2017. Over the 2013–2017 forecast period, IDC believes public IT cloud services will have a compound annual growth rate (CAGR) of 23.5%, five times that of the industry overall.

IDC predicts that by 2016, \$1 out of every \$5 spent on software will be spent on cloud-based software.

The mobile SaaS market is expected to grow to \$16.6 billion by 2016, with a compound annual growth rate of 29.5%, according to Strategy Analytics.

Global spending on advertising is expected to grow from \$480 billion in 2012 to \$619 billion in 2017, according to Magna Global.

Additional Characteristics

Managing online marketing campaigns is still a costly proposition. CPMs (cost per thousand impressions) tend to be slightly higher than other traditional media. Accordingly, customer acquisition costs can easily become astronomical, if left unchecked. Risks associated with customer acquisition costs are as follows:

Anonymity of customer base: It is extremely difficult to identify the demographics, geographics, and psychographics of online users, even with existing search tools, which may leave paid leads unutilized;

Fraudulent procurement or creation of customer leads: Some publishers provide fraudulent data to advertisers to increase their revenue, which artificially increases customer acquisition costs without increasing revenues;

Performance of online marketing programs is poorly measured and not automated: For example, campaign costs based on clicks and conversions are measured at the campaign period without any controls. Additionally, there is no immediate feedback on determining which banners are more effective than others; and

Information about online campaigns between advertisers and affiliates is not automated, which may lead to inefficient relationships: Advertisers rely largely on affiliates to acquire customers. However, advertisers are unable to provide timely information about their campaigns to affiliates and advertisers do not receive timely information about each affiliate's productivity per campaign.

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 performance-based 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 in their online performance-based growth; and

We believe there are opportunities to increase our number of clients globally where companies are adopting and implementing online performance-based 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, networks, 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.

CAKE allows users to qualify their leads using business rules, reducing the number of fraudulent leads. It also allows for real-time management of customer acquisition costs and realization rates for each marketing program, specific product campaign and lead source. Additional performance tools allow for user analysis of customer-centric performance as well as real-time consolidated data. Also, our software enables access to certain demographics for each potential lead, revealing trends relevant to marketers.

Benefits to our clients:

- Real-time reporting and monitoring of lead and conversion rates, per campaign and per lead source;
- Monitoring of fraudulent customer leads;
- Reduced costs to customers from overall IT infrastructure and personnel savings;
- Setting and modifying budget limits to cap leads and conversions;
- Providing marketing intelligence tools that allow granular visibility to demographic and geographic data of online users; and
- Enhancing the relationship between advertisers and affiliates.

We leverage off 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 to online marketers. Additionally we market our software through www.getcake.com, and by attending industry trade shows and events. Our clients utilize our software to provide performance-based marketing services to corporations worldwide.

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. As of December 31, 2015, we do not have any registered or pending patents or trademarks, except for 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 is a privately-held company with a performance and direct response advertising platform focused on retail tracking. Competitors in the mobile tracking sector include TUNE/Mobile App Tracking.

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

Our SaaS competitors have significantly greater capital, technology, resources, and brand recognition than we do. We differentiate from our competition by providing an enterprise suite of SaaS, cloud-based marketing intelligence solutions. 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.

Research and Development

During 2015 and 2014, we incurred research and development expenses of approximately \$4,630,000 and \$2,485,000, respectively, in order to further enhance our CAKE software.

Employees

As of December 31, 2015, we had 94 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 "Warning 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, 2015 amounts to approximately \$3,900,000. 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. In contrast to our profitability in 2013, we had a net loss of approximately \$6.2 million in 2015 and a net loss of approximately \$3.3 million in 2014. Our operations have been financed primarily through proceeds from the issuance of equity and use of a line of credit. 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, 2015, we had total debt outstanding of approximately \$4.6 million, of which all 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 \$21.4 million in 2015. 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, 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 Operating Officer and President of our CAKE division, Santi Pierini, our Chief Technology Officer, David Stewart, 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.

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 16, 2016, the following securities exercisable into shares of our Common Stock were outstanding:

6,667,699 shares of Common Stock issuable pursuant to the exercise of warrants; and

13,590,000 shares of Common Stock issuable pursuant to the exercise of options.

These securities represent, as of March 16, 2016, approximately 24% of our Common Stock on a fully diluted, as exercised basis. 5,275,000 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 no restrictions on the sale 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.

We currently have an effective shelf registration statement that allows us to issue our Common Stock to the public on an expedited basis. 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 15c-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. We are currently engaged in a litigation with Jeff McCollum, the former President of our CAKE division. Although we intend to pursue our claims against Mr. McCollum, and to defend ourselves vigorously against his claims, we cannot provide assurance that this litigation or future legal proceedings will result in damages being awarded to us or will not result in substantial costs to us or otherwise adversely impact our reputation.

Item 1B. Unresolved Staff Comments.

Not applicable.

Item 2. Properties.

In January 2014, we entered into an office lease agreement to lease approximately 8,754 usable square feet of office space at 20411 SW Birch Street, Suite 250, Newport Beach, California 92660. The lease is for a term of four years, commencing on or about February 1, 2014 and provides for an option by us to extend the term for an additional 36 month period following the initial term. The initial base rent for the lease is \$22,247 per month, increasing to \$25,366 per month by the end of the initial term and adjustable in accordance with the terms of the lease. We will also pay a 10.23% share of the premises' operating expense increases over the term of the lease. We moved our SaaS business and corporate headquarters to this space on February 18, 2014.

In May 2014, we entered into an office sublease agreement to lease approximately 4,168 usable square feet of additional office space adjacent to our corporate headquarters in Newport Beach. The sublease is for an approximate term of two years, commencing on May 1, 2014 and ending on May 31, 2016. The initial base rent for the sublease is \$10,444 per month, increasing to \$11,038 per month by the end of the term. We will also pay a 5.33% share of the premises' operating expense over the term of the sublease.

In July 2014, our Subsidiary entered into an office lease agreement to lease approximately 1,507 usable square feet of office space at 76-78 Charlotte Street, London, England. The lease is for a term of five years, commencing on July 30, 2014 and provides for an option by our Subsidiary to terminate the lease after the three year anniversary, upon giving the lessor six months prior written notice. The base rent is GBP 89,667 per year and the estimated service charges for the Lease are GBP 45,648 per year. We moved the business of our Subsidiary into this space during July 2014.

In July 2015, we entered into a one year lease for approximately 1,495 square feet office space in Los Angeles, California, which commenced on July 31, 2015. This facility is used for administrative purposes. Under the terms of the lease, we are required to pay a monthly base rent of \$850 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, 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.

McCollum Litigation

We are currently involved in a litigation with Jeff McCollum, the former President of our CAKE division, in the Superior Court of the State of California, commenced by us on February 22, 2015, whereby we asserted claims against Mr. McCollum for fraud, breach of contract, and breach of fiduciary duty, among others, following our termination of Mr. McCollum's employment on September 8, 2014 for cause as a result of, among other things, Mr. McCollum having abandoned his position and professional responsibilities. Mr. McCollum filed a cross complaint alleging breach of contract by us with respect to Mr. McCollum's employment agreement and commenced a separate action on February 23, 2015 in the Superior Court of the State of California 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 1.89 million shares of our common stock owned by him, and seeking declaratory relief as to whether he is entitled to have the restrictive legend removed from his share certificate. Although we believe that we will prevail on the merits, the ultimate outcome cannot be predicted at this time.

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.

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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, 2014	High	Low
Quarter Ended March 31, 2014	\$1.90	\$1.32
Quarter Ended June 30, 2014	\$1.81	\$1.04
Quarter Ended September 30, 2014	\$1.42	\$0.87
Quarter Ended December 31, 2014	\$1.79	\$1.05

Fiscal Year Ended December 31, 2015	High	Low
Quarter Ended March 31, 2015	\$1.80	\$1.15
Quarter Ended June 30, 2015	\$1.99	\$1.21
Quarter Ended September 30, 2015	\$1.95	\$0.37
Quarter Ended December 31, 2015	\$0.60	\$0.36

Stockholders

As of March 16, 2016, there were 631 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.

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 that provides a comprehensive suite of innovative marketing intelligence tools. Our powerful SaaS enterprise solution has been an industry standard for advertisers, networks, publishers, and agencies to measurably improve and optimize their 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 16% growth in our client base outside of the United States during 2015 when compared to 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.

We experienced 30% year over year growth in revenue in 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 allocated a portion of our marketing budget to being present at tradeshow, writing for and participating in 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.

Results of Operations**ACCELERIZE INC.****CONSOLIDATED RESULTS OF OPERATIONS**

	Years Ended		Increase/ (Decrease)	Increase/ (Decrease)	
	December 31,		in \$ 2015 vs 2014	in % 2015 vs 2014	
	2015	2014			
Revenue:	\$21,396,952	\$16,460,030	4,936,922	30.0	%
Cost of revenues	6,494,339	4,111,761	2,382,578	57.9	%
Gross Profit	14,902,613	12,348,269	2,554,344	20.7	%
Operating expenses:					
Research and development	4,629,419	2,485,493	2,143,926	86.3	%
Sales and marketing	7,360,397	6,864,194	496,203	7.2	%
General and administrative	8,998,512	6,220,114	2,778,398	44.7	%
Total operating expenses	20,988,328	15,569,801	5,418,527	34.8	%
Operating loss	(6,085,715)	(3,221,532)	(2,864,183)	88.9	%
Other income (expense):					
Interest income	88,561	18,185	70,376	387.0	%
Interest expense	(266,884)	(49,908)	216,976	434.8	%
Total other (expense)	(178,323)	(31,723)	146,600	462.1	%
Net loss	\$(6,264,038)	\$(3,253,255)	\$3,010,783	92.5	%

Revenues

Years ended %

	December 31, 2015	2014	Change	
Revenues	\$21,396,952	\$16,460,030	30.0	%

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 revenues from professional service fees and royalties.

The increase in our software licensing revenues during 2015, 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 higher usage of our SaaS platform. Our number of clients increased 5% during 2015 when compared to the prior year, and our average monthly fee per customer increased 24% during 2015 when compared to the prior year. The increase in the number of customers using our SaaS products and services during 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 2016.

Cost of Revenues

	Years ended		%
	December 31, 2015	2014	Change
Cost of Revenues	\$6,494,339	\$4,111,761	57.9%

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 2015, cost of revenues significantly increased reflecting the higher number of employees hired to support customer on-boarding and training activities, which increased our personnel costs by approximately \$150,000 when compared to 2014, as well as higher web hosting fees incurred to support our increased number of clients and platform usage, which increased by approximately \$1,354,000, and capitalized software amortization expense which increased by approximately \$340,000, when compared to 2014.

We believe that our cost of revenues will continue to increase in 2016, but at lower percentages than experienced in 2015.

Research and Development Expenses

	Years ended		%
	December 31, 2015	2014	Change
Research and development	\$4,629,419	\$2,485,493	86.3%

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 2015, when compared to the prior year, due to increased personnel costs associated with increased staff assigned to the enhancement and maintenance of our software services, offset by the capitalization of software development costs which amounted to approximately \$1,437,000 during 2015. Capitalized software development costs during 2014 amounted to approximately \$725,000.

We believe that our research and development expenses will continue to increase during 2016, but at lower percentages than 2015, as we continue to enhance features and functionality of our SaaS platform.

Sales and Marketing Expenses

	Years Ended		%
	December 31, 2015	2014	Change
Sales and marketing	\$7,360,397	\$6,864,194	7.2%

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 2015, when compared to the prior year, 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, trade shows, press relations, industry analyst relations and digital advertising. The increase in sales and marketing expenses were smaller during the second half of the year due to customer relationship expense being fully amortized during the first half of 2015.

We believe that our sales and marketing expenses will increase slightly in 2016 at lower percentages than our anticipated increase in revenues.

General and Administrative Expenses

	Years Ended		%
	December 31, 2015	2014	Change
General and administrative	\$8,998,512	\$6,220,114	44.7%

General and administrative expenses consist primarily 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.

The increase in general and administrative expenses during 2015, when compared with the prior year, is primarily due to the increased number of employees assigned to support our organization which costs, along with benefits and related infrastructure costs, total approximately \$1,000,000, and share based and warrant expense of approximately \$1,300,000.

We believe that our general and administrative expenses will increase during 2016 as we continue to expand the scope of our operations.

Other Income/Interest Income

	Years Ended		%
	December 31, 2015	2014	Change
Other income/interest income	\$88,561	\$18,185	387.0%

Other Income during 2015 consisted of rent income from a sublease of our Santa Monica office space during the first half of the year and profit from sale of non-inventory assets. The increase in Other Income during 2015, when compared to the prior year, is due to the sale of non-inventory assets.

Other Expenses/Interest Expense

	Years Ended		%
	December 31, 2015	2014	Change
Other expenses/interest expense	\$266,884	\$49,908	434.8%

Other expenses consist of credit card interest charges, amortization of deferred financing costs associated with our Line of Credit (described below) with Pacific Western Bank, as successor in interest by merger to Square 1 Bank, or the Lender, and interest charges related to the Line of Credit.

The increase in interest expenses during 2015, when compared to the prior year, is primarily due to higher levels of borrowings we have made from time to time under the Line of Credit.

Liquidity and Capital Resources

	Ending balance at		Average balance during	
	December 31,		years ended December	
	2015	2014	2015	2014
Cash	\$908,095	\$1,130,667	\$1,019,381	\$1,143,991
Accounts receivable	1,833,007	1,749,566	1,791,286	1,395,618
Accounts payable and accrued expenses	2,236,750	1,202,495	1,719,623	1,452,751
Line of credit	4,635,000	2,900,000	3,767,500	1,450,000

At December 31, 2015 and 2014, 54% and 58%, 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 Line of Credit. Most recently, in August 2015, we sold to investors an aggregate of 2,145,000 shares of our Common Stock at a price of \$1.00 per share and warrants to purchase up to an aggregate of 1,287,000 shares of our Common Stock at an exercise price of \$1.32 per share for an aggregate gross consideration of \$2,145,000 and net proceeds of approximately \$1,700,000.

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 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.

All other amounts borrowed were to be payable in full on the maturity date of March 17, 2016, however, this date has been 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 waives any default due to breach of the Line of Credit minimum liquidity covenant during the specified time period, adjusts the Minimum Adjusted EBITDA covenant, and reduces the credit limit to \$5,072,223. A condition precedent to the waiver was the funding of a \$625,000 subordinated loan, or the Agility Loan, from Agility Capital II, LLC, or Agility Capital, which funded on March 11, 2016. 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 our ability to pay dividends, purchase and sell assets outside the ordinary course and incur additional indebtedness. As of December 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.

In connection with the original Line of Credit, we issued to the Lender a warrant to purchase up to 46,875 shares of our 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, 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.

We owed \$4,635,000 under the Line of Credit at December 31, 2015. The interest rate for the amount borrowed was 5.5% per annum.

Changes in Cash Flows

	Years Ended	
	December 31, 2015	2014
Cash flows from operating activities:		
Net loss	\$ (6,264,038)	\$ (3,253,255)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,338,667	1,321,613
Amortization of deferred financing cost	41,981	19,317
Loss on sale of assets	3,501	-
Provision for bad debt	183,034	153,041
Fair value of options and warrants	2,068,397	603,198
Changes in operating assets and liabilities:		
Accounts receivable	(266,475)	(860,935)
Other assets	8,106	(132,989)
Prepaid expenses	(35,653)	(119,242)
Accounts payable and accrued expenses	1,030,754	(475,512)
Deferred revenues	(196,039)	123,164
Net cash used in operating activities	(2,087,765)	(2,621,600)
Cash flows used in investing activities:		
Capitalized software for internal use	(1,436,842)	(724,722)
Capital expenditures	(152,126)	(598,386)
Proceeds from sale of assets	11,090	-
Net cash used in investing activities	(1,577,878)	(1,323,108)
Cash flows provided by financing activities:		
Proceeds from line of credit, net	1,735,000	2,900,000
Payment of financing costs	-	(50,000)

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Proceeds from exercise of warrants and options	9,587	1,079,031
Net proceeds from issuance of shares of Common Stock	1,852,362	-
Payments related to issuance of shares of Common Stock	(143,169)	-
Net cash provided by financing activities	3,453,780	3,929,031
Effect of exchange rate changes on cash	(10,709)	(10,971)
Net decrease in cash	(222,572)	(26,648)
Cash, beginning of year	1,130,667	1,157,315
Cash, end of year	\$ 908,095	\$ 1,130,667

Comparison of Year Ended December 31, 2015 to December 31, 2014

The increase in accounts receivable as of December 31, 2015, when compared to 2014, is primarily due to a commensurate increase in revenues.

The increase in accounts payable and accrued expenses as of December 31, 2015, when compared to 2014, is primarily due to improved terms with an increased number of vendors.

The decrease in net cash used in operating activities during 2015 was primarily due to the increase in accounts payable and accrued expenses.

Cash used in investing activities during 2015 consists of purchases of computer equipment and other capital expenditures of approximately \$152,000, and capitalization of development costs for internal-use software of approximately \$1,437,000. Cash used in investing activities during 2014 consisted of approximately \$598,000 in purchases of capital expenditures and approximately \$725,000 in capitalization of development costs of internal-use software.

Cash provided by financing activities during 2015 resulted from the proceeds from the exercise of warrants of approximately \$10,000, a \$1,735,000 draw down on the Line of Credit, and \$1,850,000 in net proceeds from the sale of shares of Common Stock offset by \$143,000 in expense related to the offering. Cash provided by financing activities during 2014 resulted from the proceeds from the exercise of warrants of approximately \$1,080,000 and a \$2,900,000 draw down on the Line of Credit at December 31, 2014. This amount was offset by \$50,000 in financing costs.

Exercise of warrants and options

We had no proceeds generated from the exercise of warrants during 2015. We generated proceeds of \$1,079,031 from the exercise of 3,082,875 warrants during 2014.

We generated proceeds of \$9,586 from the exercise of 11,457 options during 2015. We had no proceeds generated from the exercise of options during 2014.

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. 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. The Agility Loan requires a security interest in all of our personal property and intellectual property, second in priority to the Lender.

Other outstanding obligations at December 31, 2015

Warrants

As of December 31, 2015, 6,667,699 shares of our Common Stock are issuable pursuant to the exercise of warrants.

Options

As of December 31, 2015, 13,590,000 shares of our Common Stock are issuable pursuant to the exercise of options.

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 on a straight-line basis over the requisite service period, which is the vesting period. See Note 7 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, and customer relationships 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.

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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 former 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 former Chief Financial Officer (Principal Financial Officer) concluded that our disclosure controls and procedures were effective as of December 31, 2015 (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, 2015. Management has not identified any material weaknesses in our internal control over financial reporting as of December 31, 2015. The effectiveness of our internal control over financial reporting as of December 31, 2015 has been audited by RBSM LLP, an independent registered public accounting firm, as stated in their report which is included herein.

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 quarter ended December 31, 2015 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

Amendment to Line of Credit

Given the timing of the event, the following information is included in this Form 10-K pursuant to Item 1.01 “Entry into a Material Definitive Agreement” of Form 8-K in lieu of filing a Form 8-K.

On March 11, 2016 we entered into an amendment and limited waiver, or the Amendment, of our Line of Credit with the Lender. The Amendment extends the maturity date of the amounts borrowed under the Line of Credit from March 17, 2016 until May 31, 2016. The Amendment waives any default due to breach of the Line of Credit minimum liquidity covenant during the specified time period, adjusts the Minimum Adjusted EBITDA covenant, and reduces the credit limit to \$5,072,223. A condition precedent to the waiver was the funding of the Agility Loan which funded on March 11, 2016. The description of the Amendment is not complete and is subject to and qualified in its entirety by reference to the Amendment, a copy of which is filed as Exhibit 10.35 to this Annual Report and is incorporated herein by reference.

Agility Loan

Given the timing of the event, the following information is included in this Form 10-K pursuant to Item 1.01 “Entry into a Material Definitive Agreement,” and Item 2.03 “Creation of a Direct Financial Obligation or an Obligation under an Off-Balance Sheet Arrangement of a Registrant” of Form 8-K in lieu of filing a Form 8-K.

On March 11, 2016, we entered into a loan agreement, or the Agility Loan Agreement, for the Agility Loan with Agility Capital to borrow up to a maximum of \$625,000. We are required to pay fees of approximately \$130,000 over the life of the Agility Loan. Amounts borrowed will accrue interest at 12% per annum. Accrued interest on amounts borrowed is payable monthly. Commencing on July 1, 2016 and the first day of each month thereafter, we will make monthly principal payments of \$25,000 in addition to accrued interest payments. All other amounts borrowed will be payable in full on the maturity date of March 31, 2017. The Agility Loan contains a prepayment penalty of \$50,000 less interest paid prior to the prepayment date.

The Agility Loan Agreement contains covenants including, but not limited to, covenants to achieve specified Adjusted EBITDA levels, as defined, limiting capital expenditures and restricting the our ability to pay dividends, purchase and sell assets outside the ordinary course and incur additional indebtedness. The occurrence of a material adverse change will be an event of default under the Agility Loan Agreement, in addition to other customary events of default. We granted Agility Capital a security interest in all of the our personal property and intellectual property through the Agility Loan Agreement and an Intellectual Property Security Agreement between us and Agility Capital dated March 11, 2016, or the Intellectual Property Security Agreement, which security interest is subordinate to the security interest of the Lender pursuant to a Subordination Agreement from Agility Capital to the Lender, dated March 11, 2016, or the Subordination Agreement.

The descriptions of the Agility Loan Agreement, Intellectual Property Security Agreement and Subordination Agreement are not complete and are subject to and qualified in their entirety by reference to the Agility Loan Agreement, Intellectual Property Security Agreement, and Subordination Agreement, copies of which are filed as Exhibits 10.36, 10.37 and 10.38, respectively, to this Annual Report and are incorporated herein by reference.

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 16, 2016:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Brian Ross	41	Chairman of the Board, President, Chief Executive Officer, Treasurer
Santi Pierini	53	Chief Operating Officer, President of our CAKE division
David Stewart	29	Chief Technology Officer
Damon Stein	40	General Counsel and Secretary
Mario Marsillo Jr.	47	Director
Gregory Akselrud	40	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 the University of 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 nine 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.

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.

David Stewart. Mr. Stewart has served as our Chief Technology Officer since September 2014. Mr. Stewart previously served as our Executive Vice President of Technology since May 2013, and was previously our Vice President of Technology and Product Development since December 2010. From December 2007 until December 2010, Mr. Stewart was our Lead Developer. Mr. Stewart is a 2009 graduate of the University of California Irvine with a B.S. degree in Informatics.

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.

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 Akslerud. Mr. Akslerud has been a director since April 2014. Mr. Akslerud 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. Akslerud 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. Akslerud is an Adjunct Professor of Law at Loyola Law School, Los Angeles. Mr. Akslerud is a member of the California Bar. Mr. Akslerud received his B.A. from University of California at Los Angeles and his J.D., cum laude, from Loyola Law School.

We believe Mr. Akslerud is qualified to serve as a director because Mr. Akslerud 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, 2015, 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; (ii) our three 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; and (iii) up to two additional individuals for whom disclosure would have been provided pursuant to (ii) above but for the fact that the individual was not serving as our executive officer at the end of the last completed fiscal year:

Summary Compensation Table

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards	Option Awards	Non-Equity Incentive Plan Compensation	Non- Qualified Deferred Compensation	All Other Compensation (\$)	Total (\$)
								(2)	

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					(\$)	(1)	(\$)	Compensation Earnings	
Brian Ross, Chief Executive Officer	2015	291,748	-	-	-	-	-	15,725	307,473
Santi Pierini, Chief Operating Officer and President of CAKE Division	2014	283,250	-	-	-	-	-	19,800	303,050
Michael Lin, Chief Financial Officer	2015	291,748	-	-	-	-	-	15,725	307,473
David Stewart, Chief Technology Officer	2014	226,385	-	-	1,636,824	(3)	-	11,770	1,874,978
	2015	291,748	-	-	-	-	-	15,296	307,044
	2014	283,250	-	-	986,214	(4)	-	18,112	1,287,576
	2015	291,748	-	-	-	-	-	11,954	303,702
	2014	283,250	-	-	1,260,575	(5)	-	10,542	1,554,367

The grant date fair dollar value recognized for the stock option awards was determined in accordance with ASC (1) Topic 718. For a disclosure of the assumptions made in the valuation please refer to footnote 7 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) Includes options to purchase up to 650,000 shares of our Common Stock at an exercise price of \$1.50 granted on March 13, 2014, vesting quarterly over three years (\$474,500) and a 5-year warrant to purchase up to 1,650,000 shares of our Common Stock at an exercise price of \$1.33 granted on December 12, 2014, vesting quarterly over three years (\$1,162,324).

(4) 5-year warrant to purchase up to 1,400,000 shares of our Common Stock at an exercise price of \$1.33 granted on December 12, 2014, vesting quarterly over three years.

(5) 5-year warrant to purchase up to 2,000,000 shares of our Common Stock at an exercise price of \$1.19 granted on September 18, 2014, 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 (i) Mr. Ross', or Mr. Stewart'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, or (ii) Mr. Pierini's employment without cause, he shall be entitled to a severance payment of 100% of his annual base salary of one year.

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, Santi Pierini, our President and Chief Operating Officer and President of our CAKE division, Michael Lin, our former Chief Financial Officer, and David Stewart, our Chief Technology Officer are summarized below.

Mr. Ross's employment agreement was amended, effective as of November 9, 2012, and continues until the earlier of December 31, 2017 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, all of which are exercisable at December 31, 2015. 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. Pierini's employment agreement, as amended, was originally entered into on February 10, 2014 and Mr. Pierini's employment is at will. Under the agreement, as amended, Mr. Pierini is entitled to an annual base salary of \$291,747. If we terminate Mr. Pierini's employment without cause, he shall be entitled to a severance payment of 100% of his annual base salary. Mr. Pierini is entitled to other benefits including reimbursement for reasonable business expenses and payment of health insurance premiums. Additionally, Mr. Pierini was granted non-qualified stock options to purchase up to an aggregate of 650,000 shares of our Common Stock, of which 379,167 are exercisable at December 31, 2015 and warrants to purchase up to 1,650,000 shares of our Common Stock, of which 549,945 are exercisable at December 31, 2015, both vesting on a quarterly basis over a period of three years commencing on January 1, 2015. The agreement contains customary confidentiality and assignment of work product provisions.

Mr. Lin's employment agreement, as amended, was originally entered into on June 26, 2013 and Mr. Lin's employment was at will. Under the agreement, as amended, Mr. Lin was entitled to an annual base salary of \$291,747. Mr. Lin was entitled to other benefits including reimbursement for reasonable business expenses and payment towards health insurance premiums. Additionally, Mr. Lin was granted non-qualified stock options to purchase up to an aggregate of 600,000 shares of our Common Stock, of which 450,000 are exercisable at December 31, 2015 and warrants to purchase up to 1,400,000 shares of our Common Stock, of which 466,620 are exercisable at December 31, 2015, and vest on a quarterly basis over a period of three years commencing on January 1, 2015. The agreement contained customary confidentiality and assignment of work product provisions. On January 6, 2016, Mr. Lin agreed with us that Mr. Lin would step down from his position as Chief Financial Officer but remain our principal financial officer until March 31, 2016. During this period, Mr. Lin will receive compensation of approximately \$25,000 per month and has agreed to transition his roles and responsibilities to our Interim Chief Financial Officer. Mr. Lin's employment agreement was terminated as of January 6, 2016.

Mr. Stewart's employment agreement was amended, effective May 13, 2013, and continues until December 31, 2017 or its earlier termination or expiration. Under the agreement Mr. Stewart is entitled to an annual base salary of \$275,000. Mr. Stewart 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. Stewart's base salary. If we do not make monthly salary payments during the term of his employment, such salary will accrue without interest. Mr. Stewart is entitled to other benefits including reimbursement for reasonable business expenses and payment of health insurance premiums. In addition, in 2007, 2009, and 2012 Mr. Stewart was granted non-qualified stock options to purchase up to an aggregate of 1,000,000 of our shares, all of which are exercisable at December 31, 2015 and warrants to purchase up to 2,000,000 shares of our Common Stock, of which 666,600 are exercisable at December 31, 2015, and vest on a quarterly basis over a period of three years commencing on January 1, 2015. The employment agreement may be terminated by us without cause upon 30-days prior written notice. If we elect to terminate Mr. Stewart'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 the termination. We may also terminate the agreement and Mr. Stewart'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.

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, 2015 by our Executive Officers.

OUTSTANDING EQUITY AWARDS AT FISCAL YEAR-END

Name	Number of Securities Underlying Unexercised Options (#)		Number of Securities Underlying Unexercised Options (#)		Option Exercise Price (\$)	Option Expiration Date
	Exercisable		Unexercisable			
Brian Ross	2,000,000		-		\$0.15	1/1/2017
	3,100,000		-		\$0.31	5/24/2022
Santi Pierini	379,167	(1)	270,833	(1)	\$1.50	3/13/2024
	549,945	(2)	1,100,055	(2)	\$1.33	12/12/2019
Michael Lin	450,000	(3)	150,000	(3)	\$0.87	8/7/2023
	466,620	(4)	933,380	(4)	\$1.33	12/12/2019
David Stewart	15,000		-		\$0.35	1/1/2017
	75,000		-		\$0.55	12/30/2019
	60,000		-		\$0.55	8/31/2020
	850,000		-		\$0.31	5/24/2022
	666,600	(5)	1,333,400	(5)	\$1.19	9/18/2019

(1) Consists of options to purchase 650,000 shares of our Common Stock vesting on a quarterly basis over a period of 36 months commencing on January 1, 2015.

- (2) Consists of warrants to purchase 1,650,000 shares of our Common Stock vesting on a quarterly basis over a period of 36 months commencing on January 1, 2015.
- (3) Consists of options to purchase 600,000 shares of our Common Stock vesting on a quarterly basis over a period of 36 months commencing on July 1, 2014.
- (4) Consists of warrants to purchase 1,400,000 shares of our Common Stock vesting on a quarterly basis over a period of 36 months commencing on January 1, 2015.
- (5) Consists of warrants to purchase 2,000,000 shares of our Common Stock vesting on a quarterly basis over a period of 36 months commencing on January 1, 2015.

Director Compensation

The following table presents the compensation paid as of December 31, 2015 to our non-employee Directors.

Name	Fees earned or paid in cash (\$)	Stock awards (\$)	Option awards (\$)	Non-equity incentive plan compensation (\$)	Non-qualified deferred compensation earnings (\$)	All other compensation (\$)	Total (\$)
Mario Marsillo, Jr.	24,000		13,440				37,440
Gregory Akselrud	24,000		13,440				37,440

The grant date fair dollar value recognized for the stock option awards was determined in accordance with ASC (1) Topic 718. For a disclosure of the assumptions made in the valuation please refer to footnote 7 in our financial statements filed under Item 8 of this Annual Report on Form 10-K.

On April 4, 2014, we expanded the size of the Board of Directors to three directors and appointed Mario Marsillo Jr. and Gregory Akselrud to the Board of Directors. In consideration of their service to us as directors, each of Mr. Marsillo and Mr. Akselrud receive an annual compensation of \$24,000. On May 6, 2015, Mr. Marsillo and Mr. Akselrud were each granted options to purchase 30,000 shares of our Common Stock at an exercise price of \$1.43 per share, vesting in eight equal quarterly installments commencing on July 6, 2015 and expiring on May 6, 2025.

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's 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 16, 2016 we had 65,059,540 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 16, 2016 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)	11,219,000	16.0	%
Santi Pierini (2)	1,312,500	2.0	%
Michael Lin (3)	1,250,000	1.9	%
David Stewart (4)	2,000,000	3.0	%
Damon Stein (5)	5,750,000	8.3	%
Mario Marsillo Jr.(6)	826,724	1.3	%
Gregory Akselrud(6)	45,000	< 0.1	%
All current officers and directors as a group (7 persons)	22,403,224	28.4	%

(1) Includes 5,100,000 options vested and that will vest within the next 60 days.

(2) Includes 487,500 options vested and that will vest within the next 60 days and 825,000 warrants vested and that will vest within the next 60 days.

(3) Includes 550,000 options vested and that will vest within the next 60 days and 700,000 warrants vested and that will vest within the next 60 days.

(4) Includes 1,000,000 options vested and that will vest within the next 60 days and 1,000,000 warrants vested and that will vest within the next 60 days.

(5) Includes 3,775,000 options vested and that will vest within the next 60 days and 225,000 exercisable warrants.

(6) Includes 45,000 options 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 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 permits 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 price of exercise 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	20,257,699	\$ 0.73	2,242,301
Total	20,257,699	\$ 0.73	2,242,301

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	2015	2014
Audit Fees (1)	\$74,500	\$74,500
Audit Related Fees	-	-
Tax Fees (2)	10,000	10,000
All Other Fees (3)	30,000	-
Total Fees	\$114,500	\$84,500

(1) Consists of fees for professional services rendered in connection with the review of our three quarterly reports on Form 10-Q and the financial statements included in our Annual Report on Form 10-K.

(2) Consists of fees relating to our tax compliance and tax planning.

(3) Consists of comfort letter for prospectus supplement and related offering procedures.

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

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Consolidated Statements of Operations for the years ended December 31, 2015 and 2014	F-4
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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

DESCRIPTION

NO.

- 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).

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- 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 Common Stock Purchase Warrant for 8% Series B Convertible Preferred Stock (incorporated by reference to the Company's Quarterly Report on Form 10-QSB filed on August 13, 2007).
- 4.3 Form of Common Stock Purchase Warrant (incorporated by reference to the Company's Current Report on Form 8-K filed on May 6, 2010).
- 4.4 Common Stock Purchase Warrant (incorporated by reference to the Company's Current Report on Form 8-K filed on September 27, 2012).
- 4.5 Warrant to Purchase Stock issued September 27, 2012 (incorporated by reference to the Company's Current Report on Form 8-K filed on September 27, 2012).
- 4.6 Warrant to Purchase Stock issued March 17, 2014 (incorporated by reference to the Company's Current Report on Form 8-K filed on March 19, 2014).
- 4.7* 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).
- 4.8* 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).
- 4.9* 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).
- 4.10 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).
- 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* 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).
- 10.3* Employment Agreement, dated May 13, 2013, between Accelerize New Media, Inc. and David Stewart (incorporated by reference to the Company's Quarterly Report on Form 10-Q (file no. 000-52635) filed on May 13, 2013).

Amendment No. 1 to Employment Agreement, dated as of September 8, 2014, between Accelerize Inc. and
10.4* David Stewart (incorporated by reference to the Company's Current Report on Form 8-K (file no. 000-52635)
filed on September 9, 2014).

10.5* Employment Agreement, dated as of June 26, 2013, between Accelerize New Media, Inc. and Michael Lin
(incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 13, 2013).

Amendment No. 1 to Employment Agreement, dated as of January 8, 2014, between Accelerize New Media,
10.6* Inc. and Michael Lin (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May
13, 2013).

Amendment No. 2 to Employment Agreement, dated as of August 8, 2014, between Accelerize New Media, Inc.
10.7* and Michael Lin (incorporated by reference to the Company's Current Report on Form 8-K filed on August 11,
2014).

Amendment No. 3 to Employment Agreement, dated as of January 12, 2015, between Accelerize Inc. and
10.8* Michael Lin (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 19,
2015).

10.9* 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, 2013).

Amendment No. 1 to Employment Agreement, dated as of July 9, 2014, between Accelerize New Media, Inc.
10.10* and Santi Pierini (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 19,
2015).

Amendment No. 2 to Employment Agreement, dated as of September 18, 2014, between Accelerize Inc. and
10.11* Santi Pierini (incorporated by reference to the Company's Current Report on Form 8-K filed on September 18,
2014).

- 10.12* 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).
- 10.13* 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).
- 10.14* 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).
- 10.15* Form of Stock Option Agreement (incorporated by reference to the Company's Registration Statement on Form SB-2 filed on December 22, 2006).
- 10.16* 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).
- 10.17* 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).
- 10.18* 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).
- 10.19* 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).
- 10.20 Referral Agreement, dated November 22, 2013, between Accelerize New Media, Inc. and Digital River Marketing Solutions, Inc. (portions of this exhibit have been omitted pursuant to a grant of confidential treatment). (incorporated by reference to the Company's Annual Report on Form 10-K filed on December 10, 2013).
- 10.21 Amendment No. 1 to Referral Agreement, dated December 22, 2014, between Accelerize Inc. and Digital River Marketing Solutions, Inc. (incorporated by reference to the Company's Annual Report on Form 10-K filed on March 19, 2015).
- 10.22 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).
- 10.23 Loan and Security Agreement, dated March 17, 2014, between Accelerize New Media, Inc. and Square1 Bank (incorporated by reference to the Company's Current Report on Form 8-K filed on March 19, 2014).
- 10.24 First Amendment to Loan Agreement, dated September 30, 2014, between Accelerize New Media, Inc. and Square1 Bank (incorporated by reference to the Company's Current Report on Form 8-K filed on October 6, 2014).
- 10.25 Intellectual Property Security Agreement, dated March 17, 2014, between Accelerize New Media, Inc. and Square1 Bank (incorporated by reference to the Company's Current Report on Form 8-K filed on March 19, 2014).

- 10.26 Form of Indemnification Agreement (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 13, 2014).
- 10.27 Sublease, dated as of May 1, 2014, between Accelerize New Media, Inc. and Panattoni Development Company, Inc. (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 13, 2013).
- 10.28 Second Amendment to Loan Agreement, dated March 5, 2015, between Accelerize Inc. and Square 1 Bank (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015).
- 10.29 Third Amendment to Loan Agreement, dated March 19, 2015, between Accelerize Inc. and Square1 Bank (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015).
- 10.30* Form of Stock Option Agreement (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015).
- 10.31* Form of Stock Option Agreement (incorporated by reference to the Company's Quarterly Report on Form 10-Q filed on May 11, 2015).
- 10.32 Fourth Amendment to Loan Agreement, dated June 24, 2015, between Accelerize Inc. and Square1 Bank (incorporated by reference to the Company's Current Report on Form 8-K filed on June 30, 2015).
- 10.33 Form of Securities Purchase Agreement (incorporated by reference to the Company's Current Report on Form 8-K filed on August 14, 2015).
- 10.34 Form of Warrant Purchase Agreement (incorporated by reference to the Company's Current Report on Form 8-K filed on August 14, 2015).

10.35** Limited Waiver and Fifth Amendment to Loan Agreement, dated March 11, 2016, between Accelerize Inc. and Pacific Western Bank.

10.36** Loan Agreement, dated March 11, 2016, between Accelerize Inc. and Agility Capital II, LLC.

10.37** Intellectual Property Security Agreement, dated March 11, 2016, between Accelerize Inc. and Agility Capital II, LLC.

10.38** Subordination Agreement, dated March 11, 2016.

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.

The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, 101.1** (ii) the Consolidated Statements of Operations, (iii) the Consolidated Statements of Cash Flows, (iv) the Consolidated Statements of Comprehensive Loss, (v) Statements of Shareholders' Equity, and (vi) related notes to these financial statements.

* Management contract or compensatory plan or arrangement.

** Filed herewith.

*** Furnished herewith.

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 17, 2016

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.

<u>SIGNATURE</u>	<u>TITLE</u>	<u>DATE</u>
By: /s/ Brian Ross Brian Ross	Chairman of the Board, President and Chief Executive Officer (Principal executive officer)	March 17, 2016
By: /s/ Michael Lin Michael Lin	Former Chief Financial Officer (Principal financial and accounting officer)	March 17, 2016
By: /s/ Mario Marsillo Jr. Mario Marsillo Jr.	Director	March 17, 2016
By: /s/ Gregory Akselrud Gregory Akselrud	Director	March 17, 2016

ACCELERIZE INC.

FINANCIAL STATEMENTS

AS OF DECEMBER 31, 2015

Index to Financial Statements and Financial Statement Schedules

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

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of

Accelerize Inc.

We have audited the accompanying consolidated balance sheets of Accelerize Inc. (the “Company”) as of December 31, 2015 and 2014, and the related consolidated statements of operations, comprehensive loss, stockholders’ equity (deficit), and cash flows for each of the years in the two-year period ended December 31, 2015. We also have audited the Company’s internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Controls Over Financial Reporting appearing under Item 9A. Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company’s internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company’s 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 generally accepted accounting principles. A company’s internal control over financial reporting 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 the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the Company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Accelerize Inc. as of December 31, 2015 and 2014, and the consolidated results of its operations and its cash flows for each of the years in the two-year period ended December 31 2015, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Accelerize Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2015, based on criteria established in *Internal Control—Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

/s/ RBSM LLP.

March 17, 2016

New York, New York

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ACCELERIZE INC.**CONSOLIDATED BALANCE SHEETS**

	December 31, 2015	December 31, 2014
ASSETS		
Current Assets:		
Cash	\$908,095	\$1,130,667
Accounts receivable, net of allowance for bad debt of \$395,147 and \$212,113, respectively	1,833,007	1,749,566
Prepaid expenses and other assets	239,921	204,268
Total current assets	2,981,023	3,084,501
Property and equipment, net of accumulated depreciation of \$1,854,351 and \$826,802, respectively	1,956,864	1,424,858
Customer relationships, net of accumulated amortization of \$1,000,000 and \$703,704, respectively	-	296,296
Deferred financing costs, net of accumulated amortization of \$61,298 and \$19,317	36,559	37,750
Other assets	124,882	132,988
Total assets	\$5,099,328	\$4,976,393
LIABILITIES AND STOCKHOLDERS' (DEFICIT) EQUITY		
Current Liabilities:		
Accounts payable and accrued expenses	\$2,236,750	\$1,202,495
Deferred revenues	10,436	206,475
Line of credit – short term	4,635,000	-
Total current liabilities	6,882,186	1,408,970
Line of credit	-	2,900,000
Total liabilities	6,882,186	4,308,970
Stockholders' (Deficit) Equity:		
Common stock; \$0.001 par value; 100,000,000 shares authorized; 65,069,327 and 62,816,554 shares issued and outstanding, respectively	65,068	62,815
Additional paid-in capital	23,440,366	19,618,153
Accumulated deficit	(25,266,612)	(19,002,574)
Accumulated other comprehensive loss	(21,680)	(10,971)
Total stockholders' (deficit) equity	(1,782,858)	667,423
Total liabilities and stockholders' (deficit) equity	\$5,099,328	\$4,976,393

See Notes to Consolidated Financial Statements.

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ACCELERIZE INC.**CONSOLIDATED STATEMENTS OF OPERATIONS**

	Years Ended	
	December 31,	
	2015	2014
Revenues:	\$21,396,952	\$16,460,030
Cost of revenue	6,494,339	4,111,761
Gross profit	14,902,613	12,348,269
Operating expenses:		
Research and development	4,629,419	2,485,493
Sales and marketing	7,360,397	6,864,194
General and administrative	8,998,512	6,220,114
Total operating expenses	20,988,328	15,569,801
Operating loss	(6,085,715)	(3,221,532)
Other income (expense):		
Interest income	88,561	18,185
Interest expense	(266,884)	(49,908)
Total other (expenses)	(178,323)	(31,723)
Net loss	\$(6,264,038)	\$(3,253,255)
Net loss per share:		
Basic	\$(0.10)	\$(0.05)
Diluted	\$(0.10)	\$(0.05)
Basic weighted average common shares outstanding	63,659,639	60,844,694
Diluted weighted average common shares outstanding	63,659,639	60,844,694

See Notes to Consolidated Financial Statements.

ACCELERIZE INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS

	Years Ended	
	December 31,	
	2015	2014
Net loss:	\$(6,264,038)	\$(3,253,255)
Foreign currency translation loss	(10,709)	(10,971)
Total other comprehensive loss	(10,709)	(10,971)
Comprehensive loss	\$(6,274,747)	\$(3,264,226)

See Notes to Consolidated Financial Statements.

ACCELERIZE INC.**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**

From January 1, 2014 to December 31, 2015

	Common Stock		Additional	(Accumulated	Accumulated	Total
	Shares	Amount	Paid-in	Deficit)	Other Comprehensive Income	Stockholders' Equity (Deficit)
Balance, January 1, 2014	58,394,975	\$58,394	\$17,908,278	\$(15,749,319)	\$ -	\$2,217,353
Exercise of warrants	4,371,189	4,371	1,074,659	-	-	1,079,030
Cashless exercise of options	50,390	50	(49)	-	-	1
Fair value of options	-	-	603,198	-	-	603,198
Fair value of warrants issued in connection with line of credit	-	-	32,067	-	-	32,067
Net loss	-	-	-	(3,253,255)	-	(3,253,255)
Foreign currency translation	-	-	-	-	(10,971)	(10,971)
Ending balance, December 31, 2014	62,816,554	\$62,815	\$19,618,153	\$(19,002,574)	\$(10,971)	\$667,423
Exercise of options	11,457	11	9,575	-	-	9,587
Cashless exercise of options	96,316	96	(96)	-	-	-
Fair value of options	-	-	932,026	-	-	932,026
Fair value of warrants	-	-	1,136,371	-	-	1,136,371
Fair value of warrants issued in connection with line of credit	-	-	37,289	-	-	37,289
Offering - shares	2,145,000	2,145	1,850,217	-	-	1,852,362
Expenses for Offering	-	-	(143,169)	-	-	(143,169)
Net loss	-	-	-	(6,264,038)	-	(6,264,038)
Foreign currency translation	-	-	-	-	(10,709)	(10,709)
Ending balance, December 31, 2015	65,069,327	\$65,068	\$23,440,366	\$(25,266,612)	\$(21,680)	\$(1,782,858)

See Notes to Consolidated Financial Statements

ACCELERIZE INC.**CONSOLIDATED STATEMENTS OF CASH FLOWS**

	Years Ended	
	December 31, 2015	2014
Cash flows from operating activities:		
Net loss	\$ (6,264,038)	\$ (3,253,255)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,338,667	1,321,613
Amortization of deferred financing cost	41,981	19,317
Loss on sale of assets	3,501	-
Provision for bad debt	183,034	153,041
Fair value of options and warrants	2,068,397	603,198
Changes in operating assets and liabilities:		
Accounts receivable	(266,475)	(860,935)
Other assets	8,106	(132,989)
Prepaid expenses	(35,653)	(119,242)
Accounts payable and accrued expenses	1,030,754	(475,512)
Deferred revenues	(196,039)	123,164
Net cash used in operating activities	(2,087,765)	(2,621,600)
Cash flows used in investing activities:		
Capitalized software for internal use	(1,436,842)	(724,722)
Capital expenditures	(152,126)	(598,386)
Proceeds from sale of assets	11,090	-
Net cash used in investing activities	(1,577,878)	(1,323,108)
Cash flows provided by financing activities:		
Proceeds from line of credit, net	1,735,000	2,900,000
Payment of financing costs	-	(50,000)
Proceeds from exercise of warrants and options	9,587	1,079,031
Net proceeds from issuance of shares of Common Stock	1,852,362	-
Payments related to issuance of shares of Common Stock	(143,169)	-
Net cash provided by financing activities	3,453,780	3,929,031
Effect of exchange rate changes on cash	(10,709)	(10,971)
Net decrease in cash	(222,572)	(26,648)
Cash, beginning of year	1,130,667	1,157,315
Cash, end of year	\$ 908,095	\$ 1,130,667

Supplemental disclosures of cash flow information:

Cash paid for interest	\$ 263,077	\$ 47,479
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
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See Notes to Consolidated Financial Statements.

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ACCELERIZE INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2015 and 2014

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.

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.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

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.

Reclassification

The financial statements for 2014 have been reclassified to reflect the increase in personnel in 2014 which allowed for more clearly defined roles and allocation of certain unallocated general and administrative expenses to the Company's functional areas.

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 written off and deducted from the allowance.

	December 31, 2015	December 31, 2014
Allowance for doubtful accounts	\$395,147	\$212,113

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 2015 and 2014, 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 institutions in which it holds deposits.

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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, 2015 and 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.

	2015	2014
Advertising expense	\$415,900	\$432,100

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 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 \$1,437,000 during 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 approximately \$1,548,000 at December 31, 2015. The Company's amortization expenses associated with capitalized software development costs amounted to approximately \$730,500 during 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 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).

	2015	2014
Numerator:		
Net loss	\$(6,264,038)	\$(3,253,255)
Denominator:		
Denominator for basic earnings per share--weighted average shares	63,659,639	60,844,694
Effect of dilutive securities- when applicable:		
Stock options	-	-
Warrants	-	-
Denominator for diluted earnings per share--adjusted weighted-average shares and assumed conversions	63,659,639	60,844,694
Loss per share:		
Basic	\$(0.10)	\$(0.05)
Diluted	\$(0.10)	\$(0.05)
Weighted-average anti-dilutive common share equivalents	20,347,989	15,839,938

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,	December 31,
	2015	2014
Internal use software costs	\$2,726,209	\$1,289,367
Computer equipment and software	563,892	476,963
Office furniture and equipment	222,061	187,263
Leasehold improvements	299,053	298,067
	3,811,215	2,251,660
Accumulated depreciation	(1,854,351)	(826,802)
	\$1,956,864	\$1,424,858

	2015	2014
Depreciation expense	\$297,068	\$263,691
Amortization expense on internal software	\$730,481	\$391,256

During the year ended December 31, 2015, the Company sold approximately \$29,000 in computer equipment with a net book value of approximately \$15,000 for proceeds of approximately \$11,000.

NOTE 3: PREPAID EXPENSES

At December 31, 2015 and 2014, the Company's prepaid expenses consisted primarily of tradeshow costs.

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 on 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 and was fully amortized at December 31, 2015. The Company amortized such customer relationships over a period of 18 months. The Company incurred amortization expense related to the customer relationships of \$296,296 and \$666,667 during 2015 and 2014, respectively.

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.

	December 31, 2015	December 31, 2014
Deferred revenues	\$ 10,436	\$206,475

NOTE 6: LINE OF CREDIT

On September 30, 2014, the Company entered into an amendment of its Line of Credit 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. All other amounts borrowed were to be payable in full on the maturity date of March 17, 2016, however, this date has been 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 waives any default due to breach of the Line of Credit minimum liquidity covenant during the specified time period, adjusts the Minimum Adjusted EBITDA covenant, and reduces the credit limit to \$5,072,223. A condition precedent to the waiver was the funding of a \$625,000 subordinated loan, or the Agility Loan, from Agility Capital II, LLC, or Agility Capital, which funded on March 11, 2016. 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 our ability to pay dividends, purchase and sell assets outside the ordinary course and incur additional indebtedness. As of December 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 its personal property and intellectual property.

In connection with the original Line of Credit, the Company issued to the Lender a warrant to purchase up to 46,875 shares of its 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 its 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.

The Company owed \$4,635,000 under the Line of Credit at December 31, 2015. The interest rate for the amount borrowed was 5.5% per annum.

The Company paid approximately \$50,000 to the Lender in financing costs. The fair value of the warrants as well as the financing costs not expensed, which amounted to \$28,500, were capitalized as deferred financing costs at December 31, 2015. The Company recognized an amortization expense of \$61,298 in connection with such deferred financing costs at December 31, 2015. The Company recognized amortization and interest expenses in connection with the Line of Credit as follows.

	2015	2014
Amortization expense associated with Line of Credit	\$41,981	\$19,317
Interest expense associated with the Line of Credit	\$207,798	\$27,857

NOTE 7: STOCKHOLDERS' EQUITYCommon Stock

During 2015 and 2014, the Company generated proceeds of \$9,587 and \$1,079,031 from the exercise of 11,457 options and 3,082,875 warrants.

During 2015, the Company issued 96,316 shares of its Common Stock pursuant to the cashless exercise of 143,541 options. During 2014, the Company issued 3,082,875 shares of its Common Stock pursuant to the exercise of warrants as well as 1,288,314 and 50,390 shares of its Common Stock pursuant to the cashless exercise of 1,695,000 and 79,158 warrants and options, respectively.

During 2015, the Company sold to investors an aggregate of 2,145,000 shares of its Common Stock at a price of \$1.00 per share and warrants to purchase up to an aggregate of 1,287,000 shares of its Common Stock at an exercise price of \$1.32 per share for an aggregate gross consideration of \$2,145,000 and net proceeds of approximately \$1,700,000.

Warrants

The following is a summary of the Company's activity related to its warrants between January 1, 2014 and December 31, 2015:

	Warrants	Average Price Per Share	Weighted Average Remaining Contractual Term
Balance, January 1, 2014	5,533,125	\$ 0.34	1.41
Granted	5,096,875	1.28	
Exercised	(4,777,875)	0.48	
Forfeitures	(510,250)	0.58	

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Outstanding at December 31, 2014	5,341,875	\$ 1.23	4.70
Granted	1,345,824	1.43	
Exercised	-	-	
Forfeitures	(20,000)	0.65	
Outstanding at December 31, 2015	6,667,699	\$ 1.25	3.69

The fair value of the warrants granted or modified during 2015 is based on the BSM model using the following assumptions:

	2015	2014		
Effective Exercise price	\$1.00-	\$1.53	\$1.19-	\$1.60
Effective Market price	\$1.00-	\$1.53	\$1.19-	\$1.60
Volatility	61.62%	63	-	64%
Risk-free interest	0.90%	0.91	-	1.1%
Terms (years)	3	3	-	5
Expected dividend rate	0%			0%

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 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 2015 and 2014 is based on the BSM model using the following assumptions:

	2015	2014
Effective exercise price	\$0.47- \$1.43	\$1.10- \$1.80
Effective market price	\$0.47- \$1.43	\$1.10- \$1.80
Volatility	61 - 68%	63 - 64%
Risk-free interest	0.89 - 1.01%	0.91 - 1.1%
Terms (years)	4	4
Expected dividend rate	0%	0%

	Options	Weighted Average Price Per Share	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Balance, January 1, 2014	\$ 19,134,168	\$ 0.27	6.4	\$20,908,118
Granted	2,152,500	1.38		
Exercised ⁽¹⁾	(218,332)	0.79		
Forfeitures	(6,660,000)	0.79		
Outstanding at December 31, 2014	14,408,336	\$ 0.50	6.81	\$14,573,511
Granted	840,000	1.14		
Exercised ⁽²⁾	(154,998)	0.63		

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Forfeitures	(1,503,338)	0.79		
Outstanding at December 31, 2015	13,590,000	\$ 0.48	4.83	\$ 127,500
Exercisable at December 31, 2015	\$ 11,531,576	\$ 0.35	5.26	\$ 1,627,410

(1) Consists of cashless exercise of 79,158 options in exchange for 50,390 shares of Common Stock

(2) Consists of cash exercise of 11,457 shares and cashless exercise of 143,541 options in exchange for 96,316 shares of Common Stock.

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.

	2015	2014
Weighted-average grant date fair value	\$0.53	\$0.66
Fair value of options	\$932,026	\$ 603,198

The total compensation cost related to non-vested awards not yet recognized amounted to approximately \$978,269 at December 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: 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, 2015 and 2014.

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

	Years Ended	
	December 31,	
	2015	2014
Statutory federal rate	34.0 %	34.0 %
State income taxes net of federal income tax benefit	3.8 %	5.2 %
Permanent differences for tax purposes	0.3 %	-0.6 %
Change in valuation allowance	-38.1 %	-38.6 %
Effective income tax rate:	0.0 %	0.0 %

The components of the deferred tax assets and liabilities are as follows:

	December 31,	
	2015	2014
Deferred tax assets:		
Net operating loss carryovers	\$5,573,184	\$3,359,000
Stock-based compensation	1,228,702	732,000
Other temporary differences	499,898	174,000
Total deferred tax assets	7,301,784	4,265,000
Valuation allowance	(7,301,784)	(4,265,000)
Net deferred tax asset	\$-	\$-

At December 31, 2015, the Company had available net operating loss carryovers of approximately \$14.3 million that may be applied against future taxable income and expires at various dates between 2023 and 2035, 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 2015, which increased net operating loss carryforward in 2015 compared to 2014.

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 2012 and later and by California authorities for tax years ended 2011 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, 2015, the Company has no accrued interest or penalties related to uncertain tax positions.

NOTE 9: SEGMENTS

The Company operates in one business segment. Percentages of sales by geographic region during 2015 and 2014 were approximately as follows:

	2015	2014
United States	71%	75%
Europe	19%	17%
Other	10%	8%

NOTE 10: COMMITMENTS AND CONTINGENCIES

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 paid monthly base rent of approximately \$22,000 increasing incrementally to approximately \$25,000.

During May 2014, the Company entered into a two year sublease in Newport Beach, effective May 1, 2014. The Company initially paid 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 (approximately \$129,000) per year and the estimated service charges for the lease are GBP 45,658 (approximately \$66,000) per year. The Company paid approximately GBP 60,000 (approximately \$86,000) for furniture, cabling and build out of the office space.

Future annual minimum payments required under operating lease obligations at December 31, 2015 are as follows:

Future Minimum	
Lease Payments	
2016	\$ 346,733

2017 \$303,415
2018 \$25,366

The Company entered into certain employment agreements with four of its executive officers which are still effective as of December 31, 2015. The agreements provide that they will generally terminate on December 31, 2017. Under the agreements, the executive officers are entitled to annual base salaries of \$291,747. 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
2016	\$ 1,365,910
2017	\$ 1,461,522
2018	\$ 1,505,378

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, including the following, 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.

McCollum Litigation

The Company is currently involved in a litigation with Jeff McCollum, the former President of its CAKE division, in the Superior Court of the State of California, commenced by the Company on February 22, 2015, whereby it asserted claims against Mr. McCollum for fraud, breach of contract, and breach of fiduciary duty, among others, following its termination of Mr. McCollum's employment on September 8, 2014 for cause as a result of, among other things, Mr. McCollum having abandoned his position and professional responsibilities. Mr. McCollum filed a cross complaint alleging breach of contract by the Company with respect to Mr. McCollum's employment agreement and commenced a separate action on February 23, 2015 in the Superior Court of the State of California asserting claims against the Company 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 1.89 million shares of the Company's Common Stock owned by him, and seeking declaratory relief as to whether he is entitled to have the restrictive legend removed from his share certificate. Although the Company believes it will prevail on the merits, the ultimate outcome cannot be predicted at this time.

NOTE 11: SUBSEQUENT EVENTS

Agility Loan

On March 11, 2016, the Company entered into a subordinated loan with 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. The Agility Loan requires a security interest in all of the Company's personal property and intellectual property, second in priority to the Lender.