Citizens Community Bancorp Inc.
Form SC 13G/A
February 09, 2018
SECURITIES
AND
EXCHANGE
COMMISSION
Washington,
D.C. 20549

SCHEDULE
13G/A

Under the
Securities
Exchange Act of
1934
(Amendment
No.3)*

Citizens
Community
Bancorp, Inc.
(Name of
Issuer)

Common Stock
(Title of Class
of Securities)

174903104
(CUSIP
Number)

December 31,
2017
(Date of Event
Which Requires
Filing of This
Statement)

Check the
appropriate box
to designate the
rule pursuant to
which this
Schedule is
filed:

¨ Rule 13d-1(b)

x Rule 13d-1(c)
¨ Rule 13d-1(d)

(Page 1 of 9
Pages)

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*The remainder of this cover page shall be filled out for a reporting person's initial filing on this form with respect to the subject class of securities, and for any subsequent amendment containing information which would alter the disclosures provided in a prior cover page.

The information required in the remainder of this cover page shall not be deemed to be "filed" for the purpose of Section 18 of the Securities Exchange Act of 1934 ("Act") or otherwise subject to the liabilities of that section of the Act but shall be subject to all other provisions of the Act (however, see the Notes).

1	NAME OF REPORTING PERSON Tontine Financial Partners, L.P.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) ¨ (b) ¨
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	**5**	SOLE VOTING POWER -0-
	6	SHARED VOTING POWER 404,336
	7	SOLE DISPOSITIVE POWER -0-
	8	SHARED DISPOSITIVE POWER 404,336
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON	

	404,336	
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES	..
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 6.87%	
12	TYPE OF REPORTING PERSON PN	

1	NAME OF REPORTING PERSON Tontine Management, L.L.C.	
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) ¨ (b) ¨
3	SEC USE ONLY	
4	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware	
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	**5**	SOLE VOTING POWER -0-
	6	SHARED VOTING POWER 404,336
	7	SOLE DISPOSITIVE POWER -0-
	8	SHARED DISPOSITIVE POWER 404,336
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 404,336	
10		¨

	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 6.87%
12	TYPE OF REPORTING PERSON OO

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1	NAME OF REPORTING PERSON Tontine Asset Associates, LLC		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) ¨ (b) ¨	
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION Delaware		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	**5**	SOLE VOTING POWER -0-	
	6	SHARED VOTING POWER 124,104	
	7	SOLE DISPOSITIVE POWER -0-	
	8	SHARED DISPOSITIVE POWER 124,104	
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON		

	124,104	
10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES	..
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 2.11%	
12	TYPE OF REPORTING PERSON OO	

1	NAME OF REPORTING PERSON Jeffrey L. Gendell		
2	CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP	(a) ¨ (b) ¨	
3	SEC USE ONLY		
4	CITIZENSHIP OR PLACE OF ORGANIZATION United States		
NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON WITH:	**5**	SOLE VOTING POWER -0-	
	6	SHARED VOTING POWER 528,440	
	7	SOLE DISPOSITIVE POWER -0-	
	8	SHARED DISPOSITIVE POWER 528,440	
9	AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON 528,440		

10	CHECK BOX IF THE AGGREGATE AMOUNT IN ROW (9) EXCLUDES CERTAIN SHARES	..
11	PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (9) 8.98%	
12	TYPE OF REPORTING PERSON IN	

Item 1(a). NAME OF ISSUER

The name of the issuer is Citizens Community Bancorp, Inc. (the "Company").

Item 1(b). ADDRESS OF ISSUER'S PRINCIPAL EXECUTIVE OFFICES

The Company's principal executive offices are located at 2174 EastRidge Center, Eau Claire, WI 54701.

Item 2(a). NAME OF PERSON FILING

This statement is filed by:

(i) Tontine Financial Partners, L.P., a Delaware limited partnership ("TFP") with respect to the shares of Common Stock directly owned by it;

(ii) Tontine Management, L.L.C., a limited liability company organized under the laws of the State of Delaware ("TM"), which serves as general partner of TFP, with respect to the shares of Common Stock directly owned by TFP;

(iii) Tontine Asset Associates, LLC, a limited liability company organized under the laws of the State of Delaware ("TAA"), which serves as general partner of Tontine Capital Overseas Master Fund II, LP ("TCOM II"), with respect to the shares of Common Stock directly owned by TCOM II; and

(iv) Jeffrey L. Gendell, a United States citizen ("Mr. Gendell"), with respect to the shares of Common Stock owned directly by TFP and TCOM II.

The foregoing persons are hereinafter sometimes collectively referred to as the "Reporting Persons." Any disclosures herein with respect to persons other than the Reporting Persons are made on information and belief after making inquiry to the appropriate party.

Item 2(b). ADDRESS OF PRINCIPAL BUSINESS OFFICE OR, IF NONE, RESIDENCE

The address of the business office of each of the Reporting Persons is 1 Sound Shore Drive, Suite 304, Greenwich, CT 06830-7251.

Item 2(c). CITIZENSHIP

See Item 2(a) above.

Item 2(d). TITLE OF CLASS OF SECURITIES

Common Stock, $0.01 par value (the "Common Stock").

Item 2(e). CUSIP NUMBER

174903104

Item 3. IF THIS STATEMENT IS FILED PURSUANT TO Rules 13d-1(b), OR 13d-2(b) OR (c), CHECK WHETHER THE PERSON FILING IS A:

(a) ¨ Broker or dealer registered under Section 15 of the Act;
(b) ¨ Bank as defined in Section 3(a)(6) of the Act;
(c) ¨ Insurance company as defined in Section 3(a)(19) of the Act;

(d) ¨ Investment company registered under Section 8 of the Investment Company Act of 1940;
(e) ¨ An investment adviser in accordance with Rule 13d-1(b)(1)(ii)(E);
(f) ¨ An employee benefit plan or endowment fund in accordance with Rule 13d-1(b)(1)(ii)(F);
(g) ¨ A parent holding company or control person in accordance with Rule 13d-1(b)(1)(ii)(G);
(h) ¨ A savings association as defined in Section 3(b) of the Federal Deposit Insurance Act;
(i) ¨ A church plan that is excluded from the definition of an investment company under Section 3(c)(14) of the Investment Company Act;
(j) ¨ A non-U.S. institution in accordance with Rule 13d-1(b)(1)(ii)(J);
(k) ¨ Group, in accordance with Rule 13d-1(b)(1)(ii)(K).

If filing as a non-U.S. institution in accordance with Rule 13d-1(b)(1)(ii)(J), please

specify the type of institution: ____
Not applicable.

Item 4. OWNERSHIP

A. Tontine Financial Partners, L.P.

(a) Amount beneficially owned: 404,336

(b) Percent of class: 6.87%. The percentages used herein and in the rest of Item 4 are calculated based upon the 5,883,656 shares of Common Stock issued and outstanding as of December 13, 2017, as set forth in the Company's Form 10-K for the year ended September 30, 2017 filed on December 13, 2017.

(c) (i) Sole power to vote or direct the vote: -0-

(ii) Shared power to vote or direct the vote: 404,336

(iii) Sole power to dispose or direct the disposition: -0-

(iv) Shared power to dispose or direct the disposition of: 404,336

B. Tontine Management, L.L.C.

(a) Amount beneficially owned: 404,336

(b) Percent of class: 6.87%

(c) (i) Sole power to vote or direct the vote: -0-

(ii) Shared power to vote or direct the vote: 404,336

(iii) Sole power to dispose or direct the disposition: -0-

(iv) Shared power to dispose or direct the disposition: 404,336

C. Tontine Asset Associates, LLC

(a) Amount beneficially owned: 124,104

(b) Percent of class: 2.11%

(c) (i) Sole power to vote or direct the vote: -0-

(ii) Shared power to vote or direct the vote: 124,104

(iii) Sole power to dispose or direct the disposition: -0-

(iv) Shared power to dispose or direct the disposition: 124,104

D. Jeffrey L. Gendell

(a) Amount beneficially owned: 528,440

(b) Percent of class: 8.98%

(c) (i) Sole power to vote or direct the vote: -0-

(ii) Shared power to vote or direct the vote: 528,440

(iii) Sole power to dispose or direct the disposition: -0-

(iv) Shared power to dispose or direct the disposition: 528,440

Item 5. OWNERSHIP OF FIVE PERCENT OR LESS OF A CLASS

Not applicable.

Item 6. OWNERSHIP OF MORE THAN FIVE PERCENT ON BEHALF OF ANOTHER PERSON

TM, the general partner of TFP, has the power to direct the affairs of TFP, including directing the receipt of dividends from or the proceeds from the sale of such shares. TAA, the general partner of TCOM II, has the power to direct the affairs of TCOM II, including directing the receipt of dividends from or the proceeds from the sale of such shares. Mr. Gendell is the Managing Member of TM and TAA and in that capacity directs their operations.

Item 7. IDENTIFICATION AND CLASSIFICATION OF THE SUBSIDIARY WHICH ACQUIRED THE SECURITY BEING REPORTED ON BY THE PARENT HOLDING COMPANY OR CONTROL PERSON

Not applicable.

Item 8. IDENTIFICATION AND CLASSIFICATION OF MEMBERS OF THE GROUP

Not applicable.

Item 9. NOTICE OF DISSOLUTION OF GROUP

Not applicable.

Item 10. CERTIFICATION

Each of the Reporting Persons hereby makes the following certification:

By signing below each Reporting Person certifies that, to the best of his or its knowledge and belief, the securities referred to above were not acquired and are not held for the purpose of or with the effect of changing or influencing the control of the issuer of the securities and were not acquired and are not held in connection with or as a participant in any transaction having that purpose or effect.

SIGNATURES

After reasonable inquiry and to the best of his or its knowledge and belief, each of the undersigned certifies that the information set forth in this statement is true, complete and correct.

DATE: February 9, 2018

/s/ JEFFREY L. GENDELL
Jeffrey L. Gendell, individually, and as managing member of Tontine Management, L.L.C., for itself and as the general partner of Tontine Financial Partners, L.P., and as managing member of Tontine Asset Associates, LLC, for itself and as the general partner of Tontine Capital Overseas Master Fund II, L.P.

#8217;s strategies.

Risk Oversight

Our primary risk consists of managing our operations within the current environment of being a start-up hosted service provider. Our Network Services segment products and services are sold nationwide and our success is dependent on that being managed effectively. In general, our Board, as a whole and also at the committee level, oversees our risk management activities. Our Board annually reviews management's long-term strategic plan and the annual budget that results from that strategic planning process. Using that information, our Compensation Committee establishes both the short-term and long-term compensation programs that include all our executives (including the named executive officers identified in the Summary Compensation Table on page 19 (the "NEOs")). These compensation programs are ratified by our Board, as a whole. The compensation programs are designed to focus management on the performance metrics underlying the operations of the Company, while limiting risk exposure to our company. Our Board receives periodic updates from management on the status of our operations and performance (including updates outside of the normal Board meetings). Finally, as noted below, our Board is assisted by our Audit Committee in fulfilling its responsibility for oversight of the quality and integrity of our accounting, auditing and financial reporting practices. Thus, in performing its risk oversight our Board establishes the performance metrics, monitors on a timely basis the achievement of those performance metrics, and oversees the mechanisms that report those performance metrics.

Code of Business Conduct

We have adopted a Code of Business Conduct and Ethics applicable to our directors, officers and employees. A copy of this code is posted on our website at www.crexendo.com. In the event that we amend or waive any of the provisions of the Code of Business Conduct and Ethics applicable to our Chief Executive Officer, Chief Financial Officer, we intend to satisfy our disclosure obligations under Item 5.05 of Form 8-K by posting such information on our website.

Certain Relationships and Related Transactions

Our Audit Committee is responsible for review and, as it determines appropriate, approval or ratification of "related-party transactions" between our company and related persons or entities, other than executive compensation decisions which are addressed by our Compensation Committee. We have adopted policies and procedures that apply to any transaction or series of transactions in which our company or a subsidiary is a participant, the amount involved exceeds $10,000, and a related person or entity has a direct or indirect material interest. Our Audit Committee has determined that, barring additional facts or circumstances, a related person or entity does not have a direct or indirect material interest in any of the following categories of transactions:

- any transaction with another company for which a related person's only relationship is as an employee (other than an executive officer), director, or beneficial owner of less than 10% of that company's shares, if the amount involved does not exceed $10,000;
- any charitable contribution, grant, or endowment by the company to a charitable organization, foundation, or university for which a related person's only relationship is as an employee (other than an executive officer) or a director, if the amount involved does not exceed $10,000;
- compensation to directors, for service as directors, determined by our Board;
- transactions in which all securities holders receive proportional benefits; or
- banking-related services involving a bank depository of funds, transfer agent, registrar, trustee under a trust indenture, or similar service.

Transactions involving related persons or entities that are not included in one of the above categories are reviewed by our Audit Committee. Our Audit Committee determines whether the related person or entity has a material interest in a transaction and may approve, not approve or take other action with respect to the transaction in its discretion.

Stockholder Communications

Stockholders and other interested parties who wish to communicate with non-management directors of the Company should send their correspondences to: Crexendo Non-Management Directors, Crexendo, Inc., 1615 South 52nd Street, Tempe, Arizona 85281, or by email to nonmanagementdirectors@crexendo.com. All communications are forwarded directly to the appropriate non-management director.

Submission of Security Holder Recommendations for Director Candidates

All security holder recommendations for director candidates must be submitted in writing to the Secretary of our company, Jeffrey G. Korn, at 1615 South 52nd Street, Tempe, Arizona 85281, who will forward all recommendations to the Nominating Committee. All security holder recommendations for director candidates must be submitted to our company not less than 120 calendar days prior to the date on which the company's Proxy Statement was released to stockholders in connection with the previous year's annual meeting of stockholders. All security holder recommendations for director candidates must include (1) the name and address of record of the security holder, (2) a representation that the security holder is a record holder of our security, or if the security holder is not a record holder, evidence of ownership in accordance with Rule 14a-8(b), (2) of the Securities Exchange Act of 1934, (3) the name, age, business and residential address, educational background, public company directorships, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the proposed director candidate, (4) a description of the qualifications and background of the proposed director candidate which addresses the minimum qualifications and other criteria for directors approved by our Board from time to time, (5) a description of all arrangements or understandings between the security holder and the proposed director candidate, (6) the consent of the proposed director candidate to be named in the proxy statement, to have all required information regarding such director candidate included in the applicable proxy statement, and to serve as a director if elected, and (7) any other information regarding the proposed director candidate that is required to be included in a proxy statement filed pursuant to the rules of the Securities and Exchange Commission.

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Director Compensation

Our non-employee directors previously received a combination of cash and equity as compensation for their service to the company. As of July 1, 2013, cash compensation was discontinued until the Company regains profitability. The annual pay package for non-employee directors is designed to attract and retain highly qualified professionals to represent our stockholders. We also reimburse our directors for travel, lodging and related expenses they incur on company-related business, including Board and committee meetings. In setting director compensation, we consider the amount of time that directors spend in fulfilling their duties to the Company as well as the skill level required by our directors. Directors who are also employees receive no additional compensation for serving on our Board. For the year ended December 31, 2013, non-employee director compensation consisted of the following.

Cash Compensation. For the year ended December 31, 2013, all of our non-employee directors received a monthly cash retainer of $2,500 through June 30, 2013.

Stock Options and Restricted Shares. On March 18, 2013, we granted to each non-employee director an option to purchase 10,000 shares of common stock at an exercise price of $2.45, which price was not less than 100% of the fair market value of an underlying share of common stock on the date of grant. Each such option was fully vested and exercisable on the date of grant. In conformity with accounting guidance, the option awards to our non-employee directors were valued using the Black-Scholes option-pricing model on the date of grant, which value was $1.11 per share.

The following table summarizes the compensation earned by and paid to our non-employee directors for the year ended December 31, 2013:

Director	Fees Earned or Paid in Cash	Option Awards (1)		All Other Compensation	Total
Todd Goergen	$15,000	11,100	(2)	-	$26,100
Craig Rauchle	15,000	11,100	(6)	-	26,100
Jeffrey P. Bash	-	11,100	(5)	-	11,100
Robert Kamm	15,000	11,100	(4)	-	26,100
David Williams	15,000	11,100	(2)	-	26,100
Anil Puri	15,000	11,100	(3)	-	26,100

(1) Represents the dollar amount of all option awards recognized for financial statement reporting purposes for the year ended December 31, 2013 in accordance with accounting guidance. Estimates of forfeitures related to service-based vesting conditions have been disregarded. The assumptions used in the calculation of these amounts are included in the notes to our consolidated financial statements for the year ended December 31, 2013, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 4, 2014.

(2) As of December 31, 2013, each of Messrs. Goergen and Williams held unexercised options to purchase an aggregate of 50,000 shares of our common stock.

(3) As of December 31, 2013, Dr. Puri held unexercised options to purchase an aggregate of 70,000 shares of our common stock.

(4) As of December 31, 2013, Mr. Kamm held unexercised options to purchase an aggregate of 55,000 shares of our common stock.

(5) As of December 31, 2013, Mr. Bash held unexercised options to purchase an aggregate of 10,000 shares of our common stock.

(6) As of December 31, 2013, Mr. Rauchle held zero unexercised options to purchase share of our common stock.

PROPOSAL II
RATIFICATION OF APPOINTMENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

At the meeting we will ask our stockholders to ratify the appointment of Deloitte and Touche LLP ("Deloitte") as our independent registered public accounting firm to audit our consolidated financial statements as of and for the year ending December 31, 2014. A representative of Deloitte may be present at the meeting, and will have the opportunity to make a statement if he or she desires to do so and to respond to appropriate questions.

Stockholder ratification of the selection of Deloitte as our independent registered public accounting firm is not required by our bylaws or other applicable legal requirements. However, our Board is submitting the selection of Deloitte to the stockholders for ratification as a matter of good corporate governance. If the stockholders fail to ratify the selection, the Audit Committee will reconsider whether to retain Deloitte as our independent registered public accounting firm. Even if the selection is ratified, the Audit Committee, in its discretion may direct the appointment of a different independent registered public accounting firm at any time during the year if it determines that such a change would be in our best interests and in the best interests of our stockholders.

Approval of the proposal to ratify the appointment of Deloitte to serve as our independent registered public accounting firm for the year ending December 31, 2014 requires that the votes cast in favor of the proposal at the meeting must exceed the votes cast against the proposal.

The Board recommends a vote "FOR" the proposal to ratify the appointment of Deloitte as our independent registered public accounting firm for the year ending December 31, 2014.

Fees of Independent Registered Public Accounting Firm

We have set forth below the aggregate fees billed for professional services rendered to us by Deloitte for the years ended December 31, 2013 and 2012. All of the services described in the following fee table were approved in conformity with the Audit Committee's pre-approval process.

	Year Ended December 31, 2013	Year Ended December 31, 2012
Audit Fees (1) (audit of our annual financial statements, review of our quarterly financial statements, review of our SEC filings and correspondence with the SEC)	$224,700	$305,500
Audit Related Fees (2) (primarily audit of our 401(k) plan)	-	15,000
Tax Fees (3) (domestic and international tax compliance)	6,200	6,800

(1) Audit Fees: Fees billed by Deloitte for professional services rendered for the audit and reviews of our financial statements filed with the SEC on Forms 10-K, 10-KT and 10-Q and reviews of our correspondence with the Securities and Exchange Commission.
(2) Audit-Related Fees: Fees billed by Deloitte for all audit-related services, consisting principally of an audit of our 401(k) plan.
(3) Tax Fees: Fees billed by Deloitte for tax compliance, tax advice, and tax planning.

Pre-Approval Policies and Procedures

The Audit Committee has adopted a policy and procedures for the pre-approval of audit and non-audit services rendered by our independent registered public accounting firm. The policy generally provides for the pre-approval of the scope of and fees for services in the defined categories of audit services, audit-related services, and tax services. Pre-approval is usually provided by the Audit Committee on a project-by-project basis before the independent registered public accounting firm is engaged to provide that service, and for de minimus projects only, pre-approval is provided with a not-to-exceed fee level determined for a group of such de minimus projects. The pre-approval of services may be delegated to the Chairman of the Audit Committee, but the decision must be reported to and ratified by the full Audit Committee at its next meeting.

BENEFICIAL OWNERSHIP OF SHARES

The following table sets forth, as of March 24, 2014, the number of shares of our common stock beneficially owned by each of the following persons and groups and the percentage of the outstanding shares owned by each person and group including: (i) each person who is known by us to be the owner of record or beneficial owner of more than 5% of the outstanding shares of our common stock; (ii) each director and nominee; (iii) each of our NEO's; and (iv) all of our current directors and executive officers as a group.

With respect to certain of the individuals listed below, we have relied upon information set forth in statements filed with the Securities and Exchange Commission pursuant to Section 13(d) or 13(g) of the Securities Exchange Act of 1934. Except as otherwise noted below, the address of each person identified in the following table is c/o Crexendo, Inc., 1615 South 52nd Street, Tempe, Arizona, 85281.

Name of Beneficial Owner	Shares Owned	Number of Outstanding Warrants and Options (1)	Total Beneficial Ownership (2)	Percent of Class Beneficially Owned	
Goldman Capital Management, Inc.					
220 East 42nd Street					
New York, NY 10017	797,737	-	797,737	7.2	%
Steven G. Mihaylo	5,206,850	480,540	5,687,390	51.1	%
Todd Goergen	123,660	60,000	183,660	1.7	%
Jeffrey Bash	130,000	20,000	150,000	1.3	%
David Williams	10,000	60,000	70,000	*	
Anil Puri	1,200	80,000	81,200	*	
Doug Gaylor	-	93,667	93,667	*	
Jeffrey Korn	21,500	82,211	103,711	*	
Ron Vincent	-	28,468	28,468	*	
Satish Bhagavatula	-	53,304	53,304	*	
All current directors and executive officers as a group (9 persons)	5,493,210	958,190	6,451,400	58.0	%

* Less than one percent.

(1) Reflects warrants or options that will be exercisable or vested, as the case may be, as of March 24, 2014, or within 60 days thereafter.

(2) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission, based upon 11,127,926 shares of common stock outstanding on March 24, 2014. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of common stock subject to options held by that person that are currently exercisable or become exercisable within 60 days following March 24, 2014 are deemed outstanding. These shares, however, are not deemed outstanding for the purpose of computing the percentage ownership of any other person. The persons and entities named in the table have sole voting and sole investment power with respect to the shares set forth opposite such stockholder's name.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires our directors and executive officers, and persons who own more than ten percent of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. Officers, directors and greater than ten percent stockholders are required by SEC regulation to furnish us with copies of all Section 16(a) forms they file. Based on a review of reports and representations submitted to us, all reports regarding beneficial ownership of our securities required to be filed under Section 16(a) for the year ended December 31, 2013 were timely filed.

EXECUTIVE OFFICERS

The name, age, position and a brief account of the business experience of each of our executive officers as of March 24, 2014 are set forth below:

Name	Age	Position
Steven G. Mihaylo	70	Chief Executive Officer and Chairman of the Board
Jeff Korn	56	Chief Administrative Officer
Doug Gaylor	48	Chief Operating Officer and President
Satish Bhagavatula	39	Chief Technology Officer
Ron Vincent	38	Chief Financial Officer

Steven G. Mihaylo – Biographical information for Mr. Mihaylo is set forth above under "Directors Standing for Election"

Jeffrey G. Korn – Mr. Korn has served as our Chief Legal Officer since February 2009. From 2002 until his appointment as Chief Legal Officer, Mr. Korn served as our General Counsel. Prior to joining the company, Mr. Korn had a private consulting practice from 2001 until 2002 and before that, he served as General Counsel of ProsoftTraining, an internet training education and certification company which was previously listed on NASDAQ, from 1999 until 2001. From 1983 until 1999, Mr. Korn was a partner in a Jacksonville, Florida, law firm, specializing in corporate matters and litigation. Mr. Korn has been an advisor to private venture firms, as well as a lecturer and a college instructor. Mr. Korn currently serves on several private, not-for-profit, charitable and educational boards. Mr. Korn has a bachelors degree from the State University of New York at New Paltz and a juris doctorate degree from Stetson University College.

Doug Gaylor – Mr. Gaylor has served as our President and Chief Operating Officer (COO) since May 2012. From 2009 until his appointment as President and Chief Operating Officer (COO), Mr. Gaylor served as our VP of sales. Prior to joining the Company, Mr. Gaylor held positions of increasing responsibility, culminating with the position of Sr. Vice President at Inter-Tel/Mitel, where he was originally hired in 1987. Mr. Gaylor was responsible for overseeing the sales efforts in the Western United States where he was ultimately responsible for the activities of approximately 200 representatives. Under his leadership, yearly sales for his region reached over $175,000,000 annually. Mr. Gaylor holds a bachelors degree in Communications from the University of Houston.

Satish Bhagavatula - Mr. Bhagavatula has served as our Chief Technology Officer (CTO) and Chief Information Officer (CIO) since May 2012. From 2010 until his appointment as Chief Technology Officer (CTO) and Chief Information Officer (CIO), Mr. Bhagavatula served as Chief Architect of the Crexendo Telecommunications division. Prior to joining the Company, Mr. Bhagavatula was co-founder and CTO of Tripware (Remotian Systems, Inc). Prior to that, he held positions of increasing responsibility at Inter-Tel/ Mitel culminating with the position of Chief Architect and Distinguished Engineer where Mr. Bhagavatula was involved with technology, architecture, product & project management and software development. Mr. Bhagavatula holds a B.Tech in Electrical Engineering from JNTU Kakinada, India and M.S in Computer Engineering from the University of Massachusetts, Lowell.

Ron Vincent – Mr. Vincent has served as our Chief Financial Officer since May 2012 after joining the Company in April 2012 as Vice President of Finance. Prior to that, Mr. Vincent was an audit senior manager for Ernst & Young, LLP in Phoenix since 2005. Mr. Vincent supervised teams and managed client relationships for clients of all sizes; his experience included auditing various telecommunication and internet marketing service providers. Prior to his employment with Ernst & Young, Mr. Vincent was an audit senior with Mukai, Greenlee & Company and John C. Todd II, P.C. for a total of 14 years of experience as an auditor. Mr. Vincent is a licensed Certified Public Accountant in the state of Arizona. Mr. Vincent holds an MBA from the University of Phoenix and a bachelors degree in accounting and finance from Indiana University.

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EXECUTIVE COMPENSATION AND OTHER MATTERS

Compensation Discussion and Analysis

The overall objective of our executive compensation program is to help create long-term value for our stockholders by attracting and retaining talented executives, rewarding superior operating and financial performance, and aligning the long-term interests of our executives with those of our stockholders. Accordingly, our executive compensation program incorporates the following principles:

- We believe that retaining experienced, competent, goal-oriented executives and minimizing executive turnover is in our stockholders' best interests;
- We believe that a portion of our executives' compensation should be tied to measures of performance of our business as a whole and that such measures of performance should be non-discretionary;
- We believe that a portion of our executives' compensation should be tied to measures of performance within each executive's specific job responsibilities and that those measures should be as non-discretionary as possible;
- We believe that the interests of our executives should be linked with those of our stockholders through the risks and rewards of owning our common stock;
- We believe that a meaningful portion of each executive's long-term incentives, and merit increases will vary based upon individual performance;
- We believe that each executive's performance against corporate and individual objectives for the previous year should be periodically reviewed, and that the difficulty of achieving desired results in any particular year must be considered; and
- We believe that we should consider the ability of each executive to support our long-term performance goals; as well as each executive's ability to fulfill his or her management responsibilities and his or her ability to work with and contribute to our executive management team.

Executive Compensation Procedures

In conjunction with our efforts to achieve the executive compensation objectives and implement the underlying compensation principles described above, we follow the procedures described below:

Role of the Compensation Committee

The Compensation Committee periodically requests and receives survey data from our human resource department on the compensation levels and practices of companies that need executive officers with skills and experience similar to what we require, companies that are in the same or similar industries as us, and companies with market capitalizations and revenues similar to us. In early 2011 we obtained information on compensation amounts paid to executive officers in the software and networking industry from an independent company that collects compensation information on thousands of companies in the United States and applies a data processing methodology to generate reports on compensation levels for executive officers within specified industries, company sizes and geographical locations. The Compensation Committee uses this broad based survey information as a check on whether our compensation packages are consistent with current industry practices and are at a level that will enable us to attract and retain capable executive officers. We did not retain the services of a compensation consulting firm in 2013.

With respect to executives other than the Chief Executive Officer, the Compensation Committee seeks and receives recommendations from the Chief Executive Officer with respect to performance and appropriate levels of compensation. The Committee does not request or accept recommendations from the Chief Executive Officer concerning his own compensation.

The Compensation Committee's conclusions and recommendations on the compensation packages for our executive officers are based on the total mix of information from the sources described above, as well as the Committee Members' general knowledge of executive compensation practices and their personal evaluations of the likely effects of compensation levels and structure on the attainment of our business and financial objectives.

Each year, our senior management prepares a business plan and establishes goals for our company. The Compensation Committee reviews, modifies (if necessary), occasionally sets, and ultimately approves these goals, which are then incorporated into the company's business plan. Periodically throughout the year, the Compensation Committee compares Company goals against actual circumstances and accomplishments. The Compensation Committee may revise the Company's goals and business plan if they determine that circumstances warrant.

The Compensation Committee relies on its judgment in making compensation recommendations and decisions after reviewing our company's overall performance and evaluating each executive's performance against established goals, leadership ability, responsibilities within the company, and current compensation arrangements. The compensation program for NEOs and the Compensation Committee assessment process are designed to be flexible so as to better respond to the evolving business environment and individual circumstances.

The Compensation Committee may, in its discretion, delegate all or a portion of its duties and responsibilities to a subcommittee of the Compensation Committee consisting of one or more members of the committee. In particular, the Compensation Committee may delegate the approval of certain transactions to a subcommittee consisting solely of members of the committee who are (a) “Non-Employee Directors” for the purpose of Rule 16b-3 under the Securities Exchange Act of 1934, as in effect from time to time, and (b) “outside directors” for the purposes of Section 162(m) of the Internal Revenue Code, as in effect from time to time.

Elements of our Compensation Programs: What our Compensation Programs are Designed to Award and Why We Choose Each Element

Elements of Compensation. We implement the executive compensation objectives and principles described above through the use of the following elements of compensation, each of which is described in greater detail below:

Base Salary

Stock Option Awards

Retirement Benefits

Other Personal Benefits

The Compensation Committee evaluates overall compensation levels for each NEO in relation to other executives within our company and in relation to the NEO's prior year compensation. The Compensation Committee also considers competing offers made to NEOs, if any. The Compensation Committee considers each element of compensation collectively with the other elements when establishing the various forms and levels of compensation for each NEO. The Compensation Committee approves compensation programs which it believes are competitive with our peers, such that the combination of base pay and performance-based bonuses results in an aggregate rate of cash salary, bonus compensation, equity awards and other benefits for our NEOs within competitive market standards.

In determining long-term equity awards to executives, the Compensation Committee considers total equity awards available under the Plan, the number of equity awards to be granted to each executive in relation to other executives, the overall compensation objective for each executive, and the number and type of awards to executives in prior years.

Base Pay. Base salaries of the NEOs are set at levels that the Compensation Committee believes are generally competitive with our market peers so as to attract, reward, and retain executive talent. The Compensation Committee may opt to pay higher or lower amounts depending on individual circumstances. The Compensation Committee sets the base pay of the Chief Executive Officer and the other NEOs after reviewing recommendations from our Chief

Executive Officer. Annual adjustments are influenced by growth of our operations, revenues and profitability, individual performance, changes in responsibility, and other factors. The table below summarizes base pay for our NEOs as of December 31, 2013:

Name	Base Pay	Position
Steven G. Mihaylo	$-	Chief Executive Officer and Chairman of the Board
Doug Gaylor	$200,000	Chief Operating Officer and President
Satish Bhagavatula	$180,000	Chief Technology Officer
Jeff Korn	$150,000	Chief Legal Officer
Ron Vincent	$150,000	Chief Financial Officer

Stock Option Awards. The Compensation Committee grants discretionary, long-term equity awards to our NEOs under the Plan. These awards have historically been in the form of stock options. The Compensation Committee believes that stock option awards align the interests of NEOs with the interests of our stockholders and will incentivize the NEOs to provide stockholder value. The Compensation Committee believes that such grants provide long-term performance-based compensation, help retain executives through the vesting periods, and serve to align management and stockholder interests. In making awards under the Plan, the Compensation Committee considers grant size. Options vest only to the extent that the NEO remains a company employee through the applicable vesting dates, typically monthly over three - four years. We believe the three - four year vesting schedule assists in retaining executives and encourages the NEOs to focus on long-term performance.

We have granted stock options to our NEOs with an exercise price equal to the closing price per share on the date of the grant. We do not grant options with an exercise price below 100% of the trading price of the underlying shares of our common stock on the date of grant. Stock options only have a value to the extent the value of the underlying shares on the exercise date exceeds the exercise price. Accordingly, stock options provide compensation only if the underlying share price increases over the option term and the NEO's employment continues with us until the vesting date.

In granting stock options to the NEOs, we also consider the impact of the grant on our financial performance, as determined in accordance with accounting guidance. For share-based equity awards, we record expense in accordance with accounting guidance. The amount of expense we record pursuant to accounting guidance may vary from the corresponding compensation value we use in determining the amount of the awards.

Retirement and Other Personal Benefits. All of our NEOs receive similar retirement and other personal benefits. We sponsor the Crexendo, Inc. Retirement Savings Plan (the "401(k) Plan") for eligible employees. Our NEOs participate in the 401(k) Plan. The 401(k) Plan is a broad-based, tax-qualified retirement plan under which eligible employees, including the NEOs, may make annual pre-tax salary reduction contributions, subject to the various limits imposed under the Internal Revenue Code of 1986, as amended (the "Code"). We make matching contributions under the 401(k) Plan on behalf of eligible participants, including the NEOs, at the rate of 100% of the first one percent and 50% of each additional percentage of each participating NEO's salary up to a six percent deferral, with a two-year vesting schedule for the matched portion. Matching contributions are not subject to non-discrimination requirements imposed by the Code. The 401(k) Plan is intended to help us attract and retain qualified executives through the offering of competitive employee benefits. We do not maintain any other pension or retirement plans for the NEOs.

We provide other traditional benefits and limited perquisites to our NEOs in order to achieve a competitive pay package as detailed in the Summary Compensation Table. The Compensation Committee believes that these benefits, which are detailed in the Summary Compensation Table under the heading "All Other Compensation", are reasonable, competitive, appropriate, and consistent with our overall executive compensation program. Other than our company's contributions to the 401(k) Plan, these benefits consist principally of employer-paid premiums on health insurance, personal automobile reimbursements, and mobile phone communications charges.

Compensation of Steven G. Mihaylo, Chief Executive Officer. Mr. Mihaylo is primarily responsible for investor relations activities and the general management of our NEOs. Mr. Mihaylo does not receive a base salary. Mr.

Mihaylo does not participate in any non-equity incentive plans, but is eligible to receive stock option awards or other equity compensation. The Compensation Committee believes Mr. Mihaylo's interests are directly aligned with the interests of our stockholders because of Mr. Mihaylo's significant equity holdings in our company and his eligibility to participate in stock option awards or other equity compensation.

Compensation of Ronald Vincent, Chief Financial Officer. Mr. Vincent has general responsibility for our accounting, finance, and human resource functions. Mr. Vincent receives a base salary similar to the other NEOs. Mr. Vincent also receives retirement and other personal benefits similar to the other NEOs. Mr. Vincent receives stock options or other equity compensation similar to Messrs. Bhagavatula, Gaylor and Korn.

Compensation of Doug Gaylor, President and Chief Operating Officer. Mr. Gaylor has general responsibility for our operations. Mr. Gaylor receives a base salary similar to the other NEOs. Mr. Gaylor also receives retirement and other personal benefits similar to the other NEOs. Mr. Gaylor receives stock options or other equity compensation similar to Messrs. Bhagavatula, Korn and Vincent.

Compensation of Satish Bhagavatula, Chief Technology Officer. Mr. Bhagavatula has general responsibility for our technology and product development. Mr. Bhagavatula receives a base salary similar to the other NEOs. Mr. Bhagavatula also receives retirement and other personal benefits similar to the other NEOs. Mr. Bhagavatula receives stock options or other equity compensation similar to Messrs. Gaylor, Korn and Vincent.

Compensation of Jeffrey G. Korn, Chief Legal Officer. Mr. Korn has general responsibility for our regulatory and legal compliance. Mr. Korn receives a base salary similar to the other NEOs. Mr. Korn also receives retirement and other personal benefits similar to the other NEOs. Mr. Korn receives stock options or other equity compensation similar to Messrs. Bhagavatula, Gaylor and Vincent.

Deductibility of Executive Compensation. Section 162(m) of the Code imposes a $1 million annual limit on the amount that a public company may deduct for compensation paid to its chief executive officer during a tax year or to any of its three other most highly compensated executive officers who are still employed at the end of the tax year. The limit does not apply to compensation that meets the requirements of Code Section 162(m) for “qualified performance-based” compensation (i.e., compensation paid only if the executive meets pre-established, objective goals based upon performance criteria approved by the stockholders).

The Compensation Committee reviews and considers the deductibility of executive compensation under Section 162(m) of the Internal Revenue Code. In certain situations, the Compensation Committee may approve compensation that will not meet the requirements of Code Section 162(m) in order to ensure competitive levels of total compensation for our executive officers. We do not have a stockholder approved non-equity incentive compensation plan. As a result, all bonus amounts paid to the NEOs do not constitute qualified performance-based compensation for purposes of Code Section 162(m). For the year ended December 31, 2013, the compensation paid to the NEOs did not exceed the limitations imposed by Code Section 162(m).

Summary Compensation Table

The table below summarizes the total compensation paid or earned by each of our NEOs for the year ended December 31, 2013 (marked as “2013” in the year column), and for the year ended December 31, 2012 (marked as “2012” in the year column).

Name and Principal Position	Year	Salary	Bonus	Option Awards (1)	Non-Equity Incentive Plan	All Other Compensation	Total Compensation
Steven Mihaylo	2013	$ -	$ -	$ 304,975	$ -	$ -	$ 304,975
Chief Executive Officer	2012	$ -	$ -	$ 338,200	$ -	$ -	$ 338,200
Ronald Vincent (2)	2013	$ 148,942	$ -	$ 55,450	$ -	$ 9,914	$ 214,306
Chief Financial Officer	2012	$ 93,750	$ 15,000	$ 35,600	$ -	$ 6,567	$ 150,917
Jonathan Erickson (2)	2013	$ -	$ -	$ -	$ -	$ -	$ -
rmer Chief Financial Officer	2012	$ 105,000	$ 32,500	$ 25,365	$ -	$ 7,342	$ 170,207
Doug Gaylor (2)	2013	$ 200,000	$ -	$ 55,450	$ -	$ 13,575	$ 269,025
Chief Operating Officer & President	2012	$ 199,702	$ -	$ 113,475	$ -	$ 13,954	$ 327,131
Clint Sanderson (2)	2013	$ -	$ -	$ -	$ -	$ -	$ -
Former Chief Operating Officer & President	2012	$ 33,846	$ -	$ -	$ -	$ 1,364	$ 35,210
Satish Bhagavatula (3)	2013	$ 180,000	$ -	$ 55,450	$ -	$ 19,067	$ 254,517
Chief Technology Officer	2012	$ 162,477	$ -	$ 89,090	$ -	$ 13,720	$ 265,287
David Krietzberg (2)	2013	$ 152,885	$ -	$ 27,725	$ -	$ 11,322	$ 191,932
Chief Administrative Officer	2012	$ 225,000	$ -	$ 33,820	$ -	$ 12,778	$ 271,598

Jeffrey Korn (2)	2013	$	152,308	$	-	$	27,725	$	-	$	10,667	$	190,700
Chief Legal Officer	2012	$	210,000	$	-	$	33,820	$	-	$	13,037	$	256,857

(1) The amounts shown in the "Stock Awards" and "Option Awards" column represent the aggregate grant date fair value of the options and restricted stock units granted to the NEOs, computed in accordance with accounting guidance. Estimates of forfeitures related to service-based vesting conditions have been disregarded. The assumptions used in the calculation of these amounts are included in notes to our consolidated financial statements for the year ended December 31, 2013, included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 4, 2014.
(2) All other compensation for Messrs. Vincent, Erickson, Gaylor, Sanderson, Krietzberg and Korn consists primarily of matching contributions to the 401(k) Plan, automobile allowance, and other miscellaneous benefits, none of which exceeded $10,000.
(3) All other compensation for Mr. Bhagavatula consists primarily of matching contributions to the 401(k) Plan, automobile allowance, 2012 automobile allowance paid in 2013, and other miscellaneous benefits, none of which exceeded $10,000.

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Outstanding Equity Awards as of December 31, 2013

The table below provides information on the holdings of stock options by the NEOs as of December 31, 2013.

	Option Awards					Stock Awards	
Name	Number of Securities of Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable		Option Exercise Price	Option Expiration Date	Equity Incentive Plan Awards: Number of Unearned Shares, Units, or Other Rights That Have Not Vested	Equity Incentive Plan Awards: Market of Payout Value of Unearned Shares, Unites of Other Rights That Have Not Vested ($)
Steven Mihaylo	100,000	-(3)	$	7.69	9/8/2019		
	52,075	18,247(1)	$	3.30	7/16/2020		
	109,774	60,226(2)	$	5.90	5/17/2021		
	79,164	112,514(5)	$	4.08	3/1/2022		
	51,554	223,446(10)	$	2.45	3/18/2023		
Ronald Vincent	9,894	15,106(6)	$	3.55	5/15/2022		
	9,373	40,627(10)	$	2.45	3/18/2023		
Doug Gaylor	10,000	-(7)	$	7.12	10/26/2019		
	8,540	1,460(1)	$	3.30	7/16/2020		
	16,143	8,857(2)	$	5.90	5/17/2021		
	10,935	14,065(5)	$	4.08	3/1/2022		
	19,788	30,212(6)	$	3.55	5/15/2022		
	9,373	40,627(10)	$	2.45	3/18/2023		
Satish Bhagavatula	2,500	2,500(1)	$	3.30	7/16/2020		
	1,979	3,021(2)	$	5.90	5/17/2021		
	2,812	12,188(5)	$	4.08	3/1/2022		
	3,645	21,355(6)	$	3.55	5/15/2022		
	-	25,000(9)	$	2.45	12/11/2022		
	9,373	40,627(10)	$	2.45	3/18/2023		
Jeffrey Korn	20,000	-(4)	$	3.49	2/10/2019		
	21,350	3,650(1)	$	3.30	7/16/2020		
	16,143	8,857(2)	$	5.90	5/17/2021		
	8,748	11,252(5)	$	4.08	3/1/2022		
	4,686	20,314(10)	$	2.45	3/18/2023		

(1) Remaining unexercisable options vest ratably on a monthly basis through July 16, 2014.
(2) Remaining unexercisable options vest ratably on a monthly basis through May 17, 2015.
(3) Remaining unexercisable options vest ratably on a monthly basis through September 8, 2013.
(4) Remaining unexercisable options vest ratably on a monthly basis through February 10, 2013.
(5) Remaining unexercisable options vest ratably on a monthly basis through March 1, 2016.
(6) Remaining unexercisable options vest ratably on a monthly basis through May 15, 2016.
(7) Remaining unexercisable options vest ratably on a monthly basis through October 26, 2013.
(8) Remaining unexercisable options vest ratably on a monthly basis through June 22, 2013.
(9) Remaining unexercisable options vest ratably on a monthly basis through December 11, 2016.
(10) Remaining unexercisable options vest ratably on a monthly basis through March 18, 2017.

Option Exercises and Stock Vested

The following table presents information about the exercise of Stock Options by NEOs during the year ended December 31, 2013.

	Option Awards		Stock Awards	
Name	Number of shares acquired on exercise (#)	Value realized on exercise ($)	Number of shares acquired on exercise (#)	Value realized on exercise ($)
Craig Rauchle	60,000	$17,689	-	-
David Krietzberg	4,166	$2,916	-	-

Equity Compensation Plan Information

The following table presents information about our common stock that was issuable upon the exercise of options, warrants and rights under existing equity compensation plans as of December 31, 2013.

Plan Category	Number of Securities To Be Issued Upon Exercise Of Outstanding Options (a)	Weighted-average Exercise Price Of Outstanding Options (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 Securities Holders	2,130,239	$ 3.96	3,990,000 (1)
Equity Compensation Plans Not Approved By Securities Holders	-	-	-
Total	2,130,239	$ 3.96	3,990,000

(1) During the period of January 1, 2014 through March 24, 2014, 84,119 stock options were forfeited by employees, 97,751 stock options expired, 17,394 stock options were exercised, and 443,000 stock options were granted to directors and employees. Consequently, as of March 24, 2014, we had 5,477,975 shares of our common stock available for issuance under the Plans.

Potential Payments upon Termination or Change-in-Control

Acceleration of Vesting of Options and Other Stock Awards upon Change in Control. All outstanding stock options awarded to the NEOs become fully vested upon a “change in control,” without regard to whether the NEO terminates employment in connection with or following the change in control.

If a change in control results in acceleration of vesting of an NEO’s otherwise unvested stock options and other stock awards, and if the value of such acceleration exceeds 2.99 times the NEO’s average W-2 compensation from employment with the company for the five taxable years preceding the year of the change in control (the “Base Period Amount”), the acceleration would result in an excess parachute payment under Code Section 280G equal to the value of such acceleration which is in excess of the NEO’s average W-2 compensation from employment with the company for the five taxable years preceding the year of the change in control. An NEO would be subject to a 20% excise tax under Code Section 4999 on any such excess parachute payment and we would be unable to deduct the excess parachute payment.

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AUDIT COMMITTEE REPORT

In accordance with the Audit Committee Charter adopted by our Board on March 23, 2004 and amended and restated on August 9, 2006, the Audit Committee is responsible for reviewing and discussing our audited financial statements with management, discussing information with our independent registered public accounting firm relating to such firm's judgments about the quality of our accounting policies and practices, recommending to our Board that the audited financials be included in our Annual Report on Form 10-K and overseeing compliance with the Securities and Exchange Commission requirements for disclosure of such firm's services and activities. Currently the Audit Committee is comprised of Goergen, Kamm and Williams. Our Board has determined that each of these persons is independent. The Audit Committee Charter is in compliance with all regulatory requirements, and is published on our website.

Our management has the primary responsibility for our financial statements as well as our financial reporting process, policies and internal controls. Our independent registered public accounting firm is responsible for performing an audit of our financial statements and expressing an opinion as to the fair presentation of such financial statements in accordance with U.S. generally accepted accounting principles. Our Audit Committee is responsible for, among other things, reviewing the results of the audit engagement with our independent registered public accounting firm; reviewing the adequacy, scope and results of the internal accounting controls and procedures; reviewing the degree of independence of our independent registered public accounting firm; reviewing the fees of such firm; and recommending the engagement of our independent registered public accounting firm to the full Board.

In this context, the Audit Committee reviewed and discussed our audited financial statements as of and for the year ended December 31, 2013 with management and our independent registered public accounting firm. The Audit Committee discussed with our independent registered public accounting firm the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as amended. In addition, the Audit Committee received written confirmation, in accordance with standards of the Public Company Accounting Oversight Board, and discussed with our independent registered public accounting firm their independence from our company. The Audit Committee has also considered whether such firm's provision of non-audit services to us is compatible with maintaining such firm's independence.

The members of the Audit Committee are not engaged in the accounting or auditing profession. In the performance of their oversight function, the members of the Audit Committee necessarily relied upon the information, opinions, reports and statements presented to them by our management of and by our independent registered public accounting firm. As a result, the Audit Committee's oversight and the review and discussions referred to above do not assure that management has maintained adequate financial reporting processes, policies and internal controls, that our financial statements are accurate, that the audit of such financial statements has been conducted in accordance with the standards of the Public Company Accounting Oversight Board or that our independent registered public accounting firm meets the standards for auditor independence.

Based on the review and discussions above, the Audit Committee recommended that the audited financial statements be included in our Annual Report on Form 10-K for the year ended December 31, 2013.

Members of the Audit Committee

David Williams, Chairman
Todd Goergen
Anil Puri

The above report of the Audit Committee will not be deemed to be incorporated by reference to any filing by us under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that we specifically incorporate the same by reference.

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ADDITIONAL INFORMATION

Annual Report

Our Annual Report on Form 10-K for the year ended December 31, 2013 is enclosed herewith. Additional copies of such report are available, without charge, upon request. For additional copies please write to 1615 South 52nd Street, Tempe, AZ, 85281, Attn: Investor Relations, telephone: (602) 714-8500.

Additional Materials

A copy of this proxy statement has been filed with the SEC. You may read and copy this proxy statement at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may also obtain copies of this proxy statement by mail from the Public Reference Section of the SEC at prescribed rates. To obtain information on the operation of the Public Reference Room, you can call the SEC at 1-800-SEC-0330. The SEC also maintains an Internet website that contains reports, proxy and information statements and other information regarding issuers, including the company, that file electronically with the SEC. The address of the SEC's Internet website is www.sec.gov.

Delivery of Documents to Stockholders Sharing an Address

If you are the beneficial owner, but not the record holder, of shares of our common stock, your broker, bank or other nominee may only deliver one copy of this proxy statement and our 2013 annual report to multiple stockholders who share an address unless that nominee has received contrary instructions from one or more of the stockholders. We will deliver promptly, upon written or oral request, a separate copy of this proxy statement and our 2013 annual report to a stockholder at a shared address to which a single copy of the documents was delivered. A stockholder who wishes to receive a separate copy of this proxy statement and annual report, now or in the future, should submit this request by writing to Crexendo, Inc., 1615 South 52nd Street, Tempe, AZ, 85281, Attn: Investor Relations. Beneficial owners sharing an address who are receiving multiple copies of proxy materials and annual reports and who wish to receive a single copy of such materials in the future will need to contact their broker, bank or other nominee to request that only a single copy of each document be mailed to all stockholders at the shared address in the future.

Electronic Access to Proxy Statement and Annual Report

This proxy statement and our 2013 annual report may be viewed online at www.crexendo.com under the Investors tab, SEC Filings. If you are a stockholder of record, you can elect to access future annual reports and proxy statements electronically by marking the appropriate box on your proxy form or by following the instructions provided if you vote by Internet or by telephone. If you choose this option, you will receive a proxy form listing the website locations and your choice will remain in effect until you notify us by mail that you wish to resume mail delivery of these documents. If you hold your common stock through a bank, broker or another holder of record, refer to the information provided by that entity for instructions on how to elect this option.

Stockholder Proposals for Action at Our Next Annual Meeting

Any stockholder who wishes to present any proposal for stockholder action at the 2015 annual meeting of stockholders must send the proposal to our Secretary. The proposal must be received by our Secretary, at our offices, no later than December 17, 2014 in order to be included in our proxy statement. Such proposals should be addressed to the Corporate Secretary, Crexendo, Inc., 1615 South 52nd Street, Tempe, AZ, 85281. If a stockholder proposal is introduced at the 2015 annual meeting of stockholders without any discussion of the proposal in our proxy statement, and the stockholder does not notify us on or before 45 days before the date the proxy is mailed or sent, as required by

SEC Rule 14a-4(c)(1), of the intent to raise such proposal at the annual meeting of stockholders, then proxies received by us for that annual meeting will be voted by the persons named in such proxies in their discretion with respect to such proposal. Notice of such proposal is to be sent to the above address.

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Other Matters

As of the date of this statement, our Board does not intend to present and has not been informed that any other person intends to present a matter for action at the meeting other than as set forth herein and in the Notice of Meeting. If any other matter properly comes before the meeting, the holders of proxies will vote the shares represented by them in accordance with their best judgment.

* * *

By Order of the Directors

/s/ Jeffrey G. Korn
Jeffrey G. Korn, Secretary

Dated: March 27, 2014

CREXENDO, INC.
THIS PROXY IS SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS
ANNUAL MEETING OF STOCKHOLDERS – MAY 6, 2014 AT 1 PM LOCAL TIME
CONTROL ID:
REQUEST ID:

The undersigned stockholder of CREXENDO, INC. hereby appoints Steven G. Mihaylo and Jeffrey G. Korn, and each of them, proxies with full power of substitution to act for and on behalf of the undersigned and to vote all stock outstanding in the name of the undersigned as of the close of business on March 24, 2014, which the undersigned would be entitled to vote if personally present at the Annual Meeting of Stockholders ("Meeting") to be held Tuesday, May 6, 2014, at our Corporate Headquarters located at 1615 South 52nd Street, Tempe, AZ, 85281 commencing at 1:00 p.m. (local time), and at any and all adjournments or postponements thereof, upon all matters properly coming before the Meeting.

(CONTINUED AND TO BE SIGNED ON REVERSE SIDE.)

VOTING INSTRUCTIONS
If you vote by phone, fax or internet, please DO NOT mail your proxy card.

MAIL:	Please mark, sign, date, and return this Proxy Card promptly using the enclosed envelope.
FAX:	Complete the reverse portion of this Proxy Card and Fax to 202-521-3464.
INTERNET:	https://www.iproxydirect.com/EXE
PHONE:	1-866-752-VOTE(8683)

ANNUAL MEETING OF THE STOCKHOLDERS OF CREXENDO, INC.

PLEASE COMPLETE, DATE, SIGN AND RETURN PROMPTLY IN THE ENCLOSED ENVELOPE. PLEASE MARK YOUR VOTE IN BLUE OR BLACK INK AS SHOWN HERE: ý

PROXY SOLICITED ON BEHALF OF THE BOARD OF DIRECTORS

Proposal 1		à	FOR ALL	WITHOLD ALL	FOR ALL EXCEPT	
	Election of the following persons to serve as Class I Directors of the company, to serve TWO years or until their successors are duly elected and qualified:		¨	¨		
	1. Steven G. Mihaylo Class I- 2016				¨	
	2. David Williams Class I- 2016				¨	CONTROL ID:
	3. Todd Goergen Class I- 2016				¨	REQUEST ID:
Proposal 2		à	FOR	AGAINST	ABSTAIN	
	Ratification of appointment of Deloitte & Touche, LLP as the company's independent registered public accounting firm.		¨	¨	¨	

MARK "X" HERE IF YOU PLAN TO ATTEND THE MEETING: ¨

MARK HERE FOR ADDRESS CHANGE ¨ New Address (if applicable):

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This proxy, when properly executed, will be voted in the manner directed herein. If no designation (i.e. "For," "Withheld," "Against" or "Abstain") is made, the proxies named on the reverse side hereof intend to vote the shares to which this proxy relates "For" each of the director nominees identified above and "For" Item 2. The

IMPORTANT: Please sign exactly as your name or names appear on this Proxy. When shares are held proxies will vote in their discretion on any other matters properly coming before the Annual Meeting of Stockholders. The signer hereby revokes all proxies heretofore given by the signer to vote at the Annual Meeting of Stockholders or any adjournment or postponement thereof.

jointly, each holder should sign. When signing as executor, administrator, attorney, trustee or guardian, please give full title as such. If the signer is a corporation, please sign full corporate name by duly authorized officer, giving full title as such. If signer is a partnership, please sign in partnership name by authorized person.

Dated: ________________________, 2014

(Print Name of Stockholder and/or Joint Tenant)

(Signature of Stockholder)

(Second Signature if held jointly)