

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2020

OR

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

For the transition period from _____ to _____

Commission file number: 001-38834

Verb Technology Company, Inc.

(Exact name of Registrant as Specified in its Charter)

Nevada

(State or Other Jurisdiction of
Incorporation or Organization)

782 S. Auto Mall Drive
American Fork, Utah

(Address of principal executive offices)

90-1118043

(I.R.S. Employer
Identification Number)

84003

(Zip Code)

Registrant's telephone number, including area code: (855) 250-2300

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of each class</u>	<u>Trading Symbol(s)</u>	<u>Name of each exchange on which registered</u>
Common Stock, \$0.0001 par value Common Stock Purchase Warrants	VERB VERBW	The Nasdaq Stock Market LLC The Nasdaq Stock Market LLC

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

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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

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

As of November 10, 2020, there were 46,693,790 shares of common stock, \$0.0001 par value per share, outstanding.

VERB TECHNOLOGY COMPANY, INC.
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PART I — FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS (UNAUDITED)

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VERB TECHNOLOGY COMPANY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	<i>September 30,</i> <i>2020</i>	<i>December 31,</i> <i>2019</i>
	(unaudited)	
ASSETS		
Current assets:		
Cash	\$ 10,722,000	\$ 983,000
Accounts receivable, net of allowance of \$216,000 and \$230,000, respectively	1,353,000	1,271,000
Inventory, net of allowance of \$30,000 and \$2,000, respectively	12,000	103,000
Prepaid expenses	675,000	236,000
Total current assets	12,762,000	2,593,000
Right-of-use assets, net of accumulated amortization of \$756,000 and \$349,000 respectively	2,868,000	3,275,000
Property and equipment, net of accumulated depreciation of \$294,000 and \$164,000, respectively	907,000	720,000
Intangible assets, net of accumulated amortization of \$1,953,000 and \$975,000 respectively	6,270,000	5,365,000
Goodwill (including provisional goodwill of \$3,362,000 at September 30, 2020)	19,699,000	16,337,000
Other assets	69,000	69,000
Total assets	\$ 42,575,000	\$ 28,359,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,346,000	\$ 4,338,000
Accrued officers' salary	207,000	207,000
Accrued interest (including \$87,000 and \$82,000 payable to related parties)	95,000	82,000
Advance on future receipts, net of discount of \$176,000 and \$274,000, respectively	418,000	732,000
Notes Payable	1,885,000	-
Notes payable - related party	1,177,000	112,000
Operating lease liability, current	595,000	391,000
Deferred incentive compensation to officers, current	521,000	-
Contract liabilities and customer deposits	685,000	306,000
Derivative liability	4,545,000	5,048,000
Total current liabilities	15,474,000	11,216,000
Long Term liabilities:		
Notes payable, non-current	1,458,000	-
Note payable - related party, non-current	-	1,065,000
Deferred incentive compensation to officers, non-current	521,000	1,042,000
Deferred payroll taxes	247,000	-
Operating lease liability, non-current	3,101,000	3,591,000
Total liabilities	20,801,000	16,914,000
Commitments and contingencies		
Stockholders' equity		
Class A units, 100 shares authorized, 100 issued and outstanding as of September 30, 2020	-	-
Class B units, 2,642,159 shares authorized, 2,642,159 issued and outstanding as of September 30, 2020	3,065,000	-
Preferred stock, \$0.0001 par value, 15,000,000 shares authorized: Series A Convertible Preferred Stock, 6,000 shares authorized; 2,406 and 4,396 issued and outstanding as of September 30, 2020 and December 31, 2019	-	-
Common stock, \$0.0001 par value, 200,000,000 shares authorized, 46,663,790 and 24,496,197 shares issued and outstanding as of September 30, 2020 and December 31, 2019	5,000	2,000
Additional paid-in capital	87,979,000	68,028,000
Accumulated deficit	(69,275,000)	(56,585,000)
Total stockholders' equity	21,774,000	11,445,000
Total liabilities and stockholders' equity	\$ 42,575,000	\$ 28,359,000

The accompanying notes to the condensed consolidated financial statements

VERB TECHNOLOGY COMPANY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Statement of Operations			
	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Revenue				
SaaS recurring subscription revenue	\$ 1,478,000	\$ 953,000	\$ 3,809,000	\$ 1,820,000
Other Digital	360,000	485,000	1,166,000	1,081,000
Welcome kits and fulfillment	836,000	1,164,000	2,277,000	2,948,000
Shipping	186,000	271,000	614,000	766,000
Total revenue	2,860,000	2,873,000	7,866,000	6,615,000
Cost of revenue				
SaaS and other digital	349,000	221,000	843,000	427,000
Welcome kits and fulfillment	768,000	990,000	2,106,000	2,375,000
Shipping	188,000	280,000	554,000	761,000
Total cost of revenue	1,305,000	1,491,000	3,503,000	3,563,000
Gross margin	1,555,000	1,382,000	4,363,000	3,052,000
Operating Expenses:				
Research and development	2,407,000	1,214,000	5,308,000	3,113,000
Depreciation and amortization	388,000	518,000	1,108,000	1,025,000
General and administrative	6,655,000	3,292,000	14,187,000	8,803,000
Total operating expenses	9,450,000	5,024,000	20,603,000	12,941,000
Loss from operations	(7,895,000)	(3,642,000)	(16,240,000)	(9,889,000)
Other income (expense), net				
Other income (expense), net	(2,000)	(9,000)	1,000	(10,000)
Financing costs	(248,000)	(1,486,000)	(248,000)	(1,625,000)
Interest expense - amortization of debt discount	(110,000)	(21,000)	(384,000)	(1,647,000)
Change in fair value of derivative liability	975,000	2,802,000	4,295,000	3,320,000
Debt extinguishment, net	-	(691,000)	-	1,536,000
Interest expense	(40,000)	(68,000)	(114,000)	(151,000)
Total other income, net	575,000	527,000	3,550,000	1,423,000
Net loss	(7,320,000)	(3,115,000)	(12,690,000)	(8,466,000)
Deemed dividends to Series A stockholders	-	-	(3,951,000)	-
Net loss to common stockholders	\$ (7,320,000)	\$ (3,115,000)	\$ (16,641,000)	\$ (8,466,000)
Net loss per share to common stockholders - basic and diluted	\$ (0.18)	\$ (0.13)	\$ (0.51)	\$ (0.44)
Weighted average number of common shares outstanding - basic and diluted	41,216,642	23,155,801	32,375,054	19,038,802

The accompanying notes to the condensed consolidated financial statements

VERB TECHNOLOGY COMPANY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE
THREE MONTHS AND NINE MONTHS ENDED SEPTEMBER 30, 2020 AND 2019
(Unaudited)

	Class A Units		Class B Units		Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at December 31, 2019	-	\$ -	-	\$ -	4,396	\$ -	24,496,197	\$ 2,000	\$ 68,028,000	\$ (56,585,000)	\$ 11,445,000
Sale of common stock from private placement	-	-	-	-	-	-	4,237,833	1,000	4,443,000	-	4,444,000
Sale of common stock from public offering	-	-	-	-	-	-	12,545,453	2,000	12,335,000	-	12,337,000
Issuance of common stock from warrant exercise	-	-	-	-	-	-	1,965,594	-	2,165,000	-	2,165,000
Fair value of warrants issued to Series A Preferred stockholders	-	-	-	-	-	-	-	-	(3,951,000)	-	(3,951,000)
Conversion of Series A Preferred to common stock	-	-	-	-	(1,990)	-	1,405,274	-	-	-	-
Fair value of common shares issued for services	-	-	-	-	-	-	962,583	-	1,126,000	-	1,126,000
Fair value of vested restricted stock awards	-	-	-	-	-	-	1,050,856	-	2,211,000	-	2,211,000
Fair value of vested stock options and warrants	-	-	-	-	-	-	-	-	1,463,000	-	1,463,000
Extinguishment of derivative liability	-	-	-	-	-	-	-	-	159,000	-	159,000
Class A units issued upon incorporation of Verb Acquisition Co.	100	-	-	-	-	-	-	-	-	-	-
Fair value of Class B units issued for the acquisition of Ascend Certification	-	-	2,642,159	3,065,000	-	-	-	-	-	-	3,065,000
Net loss	-	-	-	-	-	-	-	-	-	(12,690,000)	(12,690,000)
Balance at September 30, 2020	100	\$ -	2,642,159	\$ 3,065,000	2,406	\$ -	46,663,790	\$ 5,000	\$ 87,979,000	\$ (69,275,000)	\$ 21,774,000
	Class A Units		Class B Units		Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount			
Balance at June 30, 2020	-	\$ -	-	\$ -	3,246	\$ -	30,267,063	\$ 3,000	\$ 71,399,000	\$ (61,955,000)	\$ 9,447,000
Sale of common stock from public offering	-	-	-	-	-	-	12,545,453	2,000	12,335,000	-	12,337,000
Issuance of common stock from warrant exercise	-	-	-	-	-	-	1,965,594	-	2,165,000	-	2,165,000
Conversion of Series A Preferred to common stock	-	-	-	-	(840)	-	663,341	-	-	-	-
Fair value of common shares issued for services	-	-	-	-	-	-	193,533	-	230,000	-	230,000
Fair value of vested restricted stock awards	-	-	-	-	-	-	1,028,806	-	1,002,000	-	1,002,000
Fair value of vested stock options and warrants	-	-	-	-	-	-	-	-	689,000	-	689,000
Extinguishment of derivative liability	-	-	-	-	-	-	-	-	159,000	-	159,000
Class A units issued upon incorporation of Verb Acquisition Co.	100	-	-	-	-	-	-	-	-	-	-
Fair value of Class B Units issued for the acquisition of Ascend Certification	-	-	2,642,159	3,065,000	-	-	-	-	-	-	3,065,000
Net loss	-	-	-	-	-	-	-	-	-	(7,320,000)	(7,320,000)
Balance at September 30, 2020	100	\$ -	2,642,159	\$ 3,065,000	2,406	\$ -	46,663,790	\$ 5,000	\$ 87,979,000	\$ (69,275,000)	\$ 21,774,000

The accompanying notes are an integral part of these condensed consolidated financial statements

	Preferred Stock		Common Stock		Amount	Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Shares	Amount	Shares				
Balance at December 31, 2018	-	-	\$ -	12,055,491	\$ 1,000	35,611,000	\$ (40,667,000)	\$ (5,055,000)
Sale of common stock from public offering	-	-	-	6,549,596	1,000	18,362,000	-	18,363,000
Fair value of common stock issued for acquisition	-	-	-	3,327,791	-	7,820,000	-	7,820,000
Fair value of common stock issued to settle accounts payable	-	-	-	4,142	-	10,000	-	10,000
Fair value of common stock and warrants issued to settle notes payable	-	-	-	598,286	-	1,410,000	-	1,410,000
Fair value of common stock upon conversion of convertible debt	-	-	-	182,333	-	410,000	-	410,000
Common shares issued upon of warrants	-	-	-	173,714	-	45,000	-	45,000
Common stock upon issuance on convertible debt	-	-	-	25,272	-	182,000	-	182,000
Fair value of vested stock options	-	-	-	-	-	1,950,000	-	1,950,000
Issuance of Series A convertible preferred stock	-	5,030	-	-	-	4,688,000	-	4,688,000
Fair value of warrants issues with Series A convertible preferred stock	-	-	-	-	-	(4,688,000)	-	(4,688,000)
Fair value of common shares issued for services	-	-	-	354,288	-	930,000	-	930,000
Issuance of fractional shares	-	-	-	139,036	-	-	-	-
Net loss	-	-	-	-	-	-	(8,466,000)	(8,466,000)
Balance at September 30, 2019	-	5,030	\$ -	23,409,949	\$ 2,000	66,730,000	\$ (49,133,000)	\$ 17,599,000

	Preferred Stock		Common Stock		Amount	Additional Paid-in Capital	Accumulated Deficit	Total
	Shares	Shares	Amount	Shares				
Balance at June 30, 2019	-	-	\$ -	22,655,185	\$ 2,000	\$ 64,617,000	\$ (46,018,000)	\$ 18,601,000
Sale of common stock from public offering	-	-	-	-	-	(90,000)	-	(90,000)
Fair value of common stock issued to settle accounts payable	-	-	-	598,286	-	1,410,000	-	1,410,000
Fair value of vested stock options and warrants	-	-	-	-	-	591,000	-	591,000
Fair value of common shares issued for services	-	-	-	156,478	-	202,000	-	202,000
Issuance Series A convertible preferred stock	-	5,030	-	-	-	4,688,000	-	4,688,000
Fair value warrants issued with Series A convertible preferred stock	-	-	-	-	-	(4,688,000)	-	(4,688,000)
Net loss	-	-	-	-	-	-	(3,115,000)	(3,115,000)
Balance at September 30, 2019	-	5,030	\$ -	23,409,949	\$ 2,000	\$ 66,730,000	\$ (49,133,000)	\$ 17,599,000

The accompanying notes to the condensed consolidated financial statements

VERB TECHNOLOGY COMPANY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine months ended	
	September 30, 2020	September 30, 2019
Operating Activities:		
Net loss	\$ (12,690,000)	\$ (8,466,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Fair value of common shares issued for services and vested stock options and warrants	4,796,000	2,880,000
Financing costs	248,000	1,625,000
Amortization of debt discount	384,000	1,647,000
Change in fair value of derivative liability	(4,295,000)	(3,320,000)
Debt extinguishment, net	-	(1,536,000)
Depreciation and amortization	1,108,000	1,025,000
Amortization of right-of-use assets	407,000	150,000
Allowance for inventory	28,000	5,000
Allowance for doubtful accounts	(14,000)	31,000
Effect of changes in assets and liabilities:		
Accounts receivable	152,000	(278,000)
Prepaid expenses	(175,000)	37,000
Inventory	63,000	90,000
Other assets	-	(41,000)
Accounts payable, accrued expenses, and accrued interest	646,000	280,000
Operating lease liability	(286,000)	(109,000)
Deferred revenue and customer deposits	(162,000)	(526,000)
Net cash used in operating activities	<u>(9,790,000)</u>	<u>(6,506,000)</u>
Investing Activities:		
Cash paid upon acquisition of subsidiary	-	(15,000,000)
Cash acquired upon acquisition of subsidiary	229,000	557,000
Purchase of property and equipment	(317,000)	(134,000)
Net cash used by investing activities	<u>(88,000)</u>	<u>(14,577,000)</u>
Financing Activities:		
Proceeds from sale of common stock	16,781,000	18,524,000
Proceeds from sale of preferred stock	-	4,688,000
Proceeds from issuance of notes payable	1,367,000	1,300,000
Advances on future receipts	728,000	-
Proceeds from convertible note payable	-	432,000
Proceeds from related party notes payable	-	58,000
Proceeds from warrant exercise	2,165,000	45,000
Payment of convertible notes payable	-	(2,025,000)
Payment of notes payable	-	(630,000)
Payment of related party notes payable	-	(58,000)
Payment of advances of future receipts	(1,424,000)	-
Net cash provided by financing activities	<u>19,617,000</u>	<u>22,334,000</u>
Net change in cash	9,739,000	1,251,000
Cash - beginning of period	<u>983,000</u>	<u>634,000</u>
Cash - end of period	<u>\$ 10,722,000</u>	<u>\$ 1,885,000</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 100,000	\$ 146,000
Supplemental disclosure of non-cash investing and financing activities:		
Issuance of note payable upon acquisition of subsidiary	\$ 1,885,000	\$ -
Fair value of common stock issued for subscription agreement	\$ 340,000	\$ -
Fair value of restricted awards returned	\$ 485,000	\$ -
Fair value of class B units issued upon acquisition of subsidiary	\$ 3,065,000	\$ -
Fair value of common stock issued upon acquisition of subsidiary	\$ -	\$ 7,820,000
Conversion of note payable and accrued interest to common stock	\$ -	\$ 1,184,000
Fair value of derivative liability from issuance of convertible debt, inducement shares and warrant features	\$ 3,951,000	\$ 6,561,000
Fair value of warrants issued and beneficial conversion feature to extinguish debt	\$ -	\$ 719,000
Fair value of common shares, warrants and beneficial conversion feature of issued convertible note	\$ -	\$ 592,000
Offset of deferred offering costs to proceeds received	\$ -	\$ 162,000
Common stock issued to settle accounts payable	\$ -	\$ 10,000
Lease assets and liabilities recorded upon adoption of ASC 842	\$ -	\$ 1,856,000
Assets acquired from the acquisition of subsidiary	\$ 449,000	\$ 3,364,000
Liabilities assumed from the acquisition of subsidiary	\$ 743,000	\$ 3,221,000

The accompanying notes to the condensed consolidated financial statements

VERB TECHNOLOGY COMPANY, INC.
Notes to Condensed Consolidated Financial Statements
For the Nine months ended September 30, 2020 and 2019
(Unaudited)

1. DESCRIPTION OF BUSINESS

Organization

References in this document to the “Company,” “Verb,” “we,” “us,” or “our” are intended to mean Verb Technology Company, Inc., individually, or as the context requires, collectively with its subsidiary on a consolidated basis.

Cutaia Media Group, LLC (“CMG”) was organized as a limited liability company under the laws of the State of Nevada on December 12, 2012. On May 19, 2014, CMG merged into bBooth, Inc. and bBooth, Inc., thereafter, changed its name to bBooth (USA), Inc., effective as of October 16, 2014. The operations of CMG and bBooth (USA), Inc., became known as, and are referred to in this Annual Report as, “bBoothUSA.”

On October 16, 2014, bBoothUSA was acquired by Global System Designs, Inc. (“GSD”), pursuant to a Share Exchange Agreement entered into with GSD (the “Share Exchange Agreement”). GSD was incorporated in the State of Nevada on November 27, 2012. The acquisition was accounted for as a reverse merger transaction. In connection with the closing of the transactions contemplated by the Share Exchange Agreement, GSD’s management was replaced by bBoothUSA’s management, and GSD changed its name to bBooth, Inc.

On April 21, 2017, we changed our corporate name from bBooth, Inc. to nFüsz, Inc. The name change was effected through a parent/subsidiary short-form merger of nFüsz, Inc., our wholly-owned Nevada subsidiary, formed solely for the purpose of the name change, with and into us.

On February 1, 2019, we changed our corporate name from nFüsz, Inc. to Verb Technology Company, Inc. The name change was effected through a parent/subsidiary short-form merger of Verb Technology Company, Inc., our wholly-owned Nevada subsidiary, formed solely for the purpose of the name change, with and into us.

On February 1, 2019, we implemented a 1-for-15 reverse stock split (the “Reverse Stock Split”) of our common stock, \$0.0001 par value per share (the “Common Stock”). The Reverse Stock Split became effective upon commencement of trading of our Common Stock on February 4, 2019. As a result of the Reverse Stock Split, every fifteen (15) shares of our pre-Reverse Stock Split Common Stock were combined and reclassified into one share of our Common Stock. The number of shares of Common Stock subject to outstanding options, warrants, and convertible securities were also reduced by a factor of fifteen as of February 1, 2019. The par value per share of our Common Stock was not affected by the Reverse Stock Split. All shares and per share amounts have been retroactively restated as if the reverse split occurred at the beginning of the earliest period presented.

Nature of Business

We are a Software-as-a-Service (“SaaS”) applications platform developer. Our platform is comprised of a suite of interactive video-based sales enablement business software products marketed on a subscription basis. Our applications, available in both mobile and desktop versions, are offered as a fully integrated suite, as well as on a standalone basis, and include verbCRM, our Customer Relationship Management application, verbLEARN, our Learning Management System application, and verbLIVE, our Live Stream eCommerce application.

We also provided certain non-digital services to some of our enterprise clients such as printing and fulfillment services. We designed and printed welcome kits and starter kits for their marketing needs and provided fulfillment services, which consisted of managing the preparation, handling and shipping of our client’s custom-branded merchandise they use for marketing purposes at conferences and other events, and product sample packs that verbCRM users order through the app for automated delivery and tracking to their customers and prospects. We use the term “client” and “customer” interchangeably.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K/A for the fiscal year ended December 31, 2019 filed with the SEC on June 4, 2020. The consolidated balance sheet as of December 31, 2019 included herein was derived from the audited consolidated financial statements as of that date.

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to fairly present the Company’s financial position and results of operations for the interim periods reflected. Except as noted, all adjustments contained herein are of a normal recurring nature. Results of operations for the fiscal periods presented herein are not necessarily indicative of fiscal year-end results.

Principles of Consolidation

The consolidated financial statements include the accounts of Verb Technology Company, Inc., Verb Direct, LLC, its wholly owned subsidiary, and Verb Acquisition Co, LLC, its wholly owned subsidiary. Intercompany transactions have been eliminated in the consolidation.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying consolidated financial statements, during the nine months ended September 30, 2020, the Company incurred a net loss of \$12,690,000 and used cash in operations of \$9,790,000. These factors raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date of the financial statements being issued. The ability of the Company to continue as a going concern is dependent upon the Company’s ability to raise additional funds and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern. In addition, the Company’s independent registered public accounting firm, in its report on the Company’s December 31, 2019 consolidated financial statements, has raised substantial doubt about the Company’s ability to continue as a going concern.

As of September 30, 2020, we had cash on hand of \$10,772,000. We believe we have sufficient cash to sustain operations through September 2021. Our continuation as a going concern is dependent on our ability to obtain additional financing until we can generate sufficient cash flows from operations to meet our obligations. We intend to continue to seek additional debt or equity financing to continue our operations. There is no assurance that we will ever be profitable or that debt or equity financing will be available to us. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should we be unable to continue as a going concern.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported periods. Significant estimates include assumptions made in analysis of reserves for allowance of doubtful accounts, inventory, purchase price allocations, impairment of long-term assets, realization of deferred tax assets, determining fair value of derivative liabilities, and valuation of equity instruments issued for services. Amounts could materially change in the future.

Concentration of Credit and Other Risks

Financial instruments that potentially subject the Company to concentrations of credit risk consist of cash and accounts receivable. Cash is deposited with a limited number of financial institutions. The balances held at any one financial institution at times may be in excess of Federal Deposit Insurance Corporation ("FDIC") insurance limits of up to \$250,000.

The Company extends limited credit to customers based on an evaluation of their financial condition and other factors. The Company generally does not require collateral or other security to support accounts receivable. The Company performs ongoing credit evaluations of its customers and maintains an allowance for doubtful accounts and sales credits. The Company believes that any concentration of credit risk in its accounts receivable is substantially mitigated by the Company's evaluation process, relatively short collection terms and the high level of credit worthiness of its customers.

The Company's concentration of credit risk includes its concentrations from key customers and vendors. As of September 30, 2020, we had no customers that accounted for 10% of our accounts receivable individually. As of December 31, 2019, we had one customer that accounted for 10% of our accounts receivable individually and in aggregate. As of September 30, 2020 and 2019, we had no customers who accounted for 10% or more of our revenues.

As of September 30, 2020, we had two vendors that accounted for 10% or more of our accounts payable individually and 38% in aggregate. As of December 31, 2019, we had one vendor that accounted for 10% or more of our accounts payable individually and in aggregate. As of September 30, 2020 and 2019, we had one vendor that accounted 10% or more of our purchases.

Reclassifications

Certain revenue amounts in the prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications consist of reclassification of digital revenue between SaaS recurring subscription revenue and other digital revenue to provide additional clarity. These reclassifications had no effect to the previously reported net loss.

Revenue Recognition

The Company derives its revenue primarily from subscriptions to its digital SaaS application services, though it also derives revenue from certain non-digital services, such as printing and fulfillment services, the Company provides to some of its larger enterprise clients. The subscription revenue from the application services are recognized over the life of the subscription contracts and any extensions thereto. While the Company has been offering subscription services for a limited period of time, to date, the Company estimates the life of the subscription period to be approximately 36 months. The Company also charges customers setup, design, and installation fees for the development of websites among other associated and complimentary services. These fees are accounted as part of deferred revenue and amortized over the estimated life of the agreement. Amounts related to shipping and handling that are billed to customers are reflected as part of non-digital revenue, and the related costs are reflected in cost of non-digital revenue in the accompanying Statements of Operations.

The Company recognizes revenue in accordance with ASC 606, Revenue from Contracts with Customers ("ASC 606"). The underlying principle of ASC 606 is to recognize revenue to depict the transfer of goods or services to customers at the amount expected to be collected. ASC 606 creates a five-step model that requires entities to exercise judgment when considering the terms of contract(s), which includes (1) identifying the contract(s) or agreement(s) with a customer, (2) identifying our performance obligations in the contract or agreement, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations, and (5) recognizing revenue as each performance obligation is satisfied. Pursuant to ASC 606, revenue is recognized when performance obligations under the terms of a contract are satisfied, which occurs for the Company upon shipment or delivery of products or services to our customers based on written sales terms, which is also when control is transferred. Revenue is measured as the amount of consideration we expect to receive in exchange for transferring the products or services to a customer.

The products sold by us are distinctly individual. The products are offered for sale solely as finished goods, and there are no performance obligations required post-shipment for customers to derive the expected value from them. Other than promotional activities, which can vary from time to time but nevertheless are entirely within the Company's control, contracts with customers contain no incentives or discounts that could cause revenue to be allocated or adjusted over time.

The control of products we sell transfers to our customers upon the digital delivery of access to our applications, and our performance obligations are satisfied at that time. Shipping and handling activities for our non-digital services are performed before the customer obtains control of the goods and, therefore, represent a fulfillment activity rather than promised goods to the customer. Payment for sales are generally made by check, credit card, or wire transfer. Historically, we have not experienced any significant payment delays from customers.

We allow returns within 30 days of purchase from end-users. Our customers may return purchased products to us under certain circumstances.

Design assets of the websites and applications are recognized when the work is completed. Licensing revenue is recognized over the estimated subscription period.

A description of our principal revenue generating activities is as follows:

SaaS recurring subscription revenue – represents digital subscription-based SaaS recurring revenue associated with verbCRM, verbLEARN, and verbLIVE. The revenue is recognized over the subscription period.

Other Digital – represents digital non-subscription-based revenue consisting of product sample revenue as well as design fees generated through or in connection with our applications. The revenue for samples is recognized upon completion and shipment, while the design fees are recognized when the service has been rendered and the app is delivered to the customer.

Welcome kits and fulfilment – We offer design and printing services to certain of our larger clients who request corporate starter kits for their new sales reps, and fulfillment of various customer products that our clients use for their marketing needs. The revenue is recognized upon completion and shipment of the starter kits or fulfillment products to the customer.

Shipping – We charge our customers the costs plus a markup related to the shipping of their welcome kits and fulfillment products. The revenue is recognized when the corresponding welcome kits or fulfillment products are shipped.

Contract Liabilities

Contract liabilities represents consideration received from customers under a revenue contract but the Company has not yet delivered or completed its performance obligation to the customer.

Cost of Revenue

Cost of revenue primarily consists of the salaries of certain employees, purchase price of consumer products, digital content costs, packaging supplies, and customer shipping and handling expenses. Shipping costs to receive products from our suppliers are included in our inventory and recognized as cost of sales upon sale of products to our customers.

Derivative Financial Instruments

The Company evaluates its financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

The Company uses Level 2 inputs for its valuation methodology for the derivative liabilities as their fair values were determined by using a Binomial pricing model. The Company's derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjusted to fair value of derivatives.

Share Based Payments

The Company issues stock options and warrants, shares of Common Stock, and equity interests as share-based compensation to employees and non-employees. The Company accounts for its share-based compensation to employees in accordance with the Financial Accounting Standards Board's ("FASB") ASC 718, Compensation – Stock Compensation. Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service period.

Net Loss Per Share

Basic net loss per share is computed by using the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed giving effect to all dilutive potential shares of Common Stock that were outstanding during the period. Dilutive potential shares of Common Stock consist of incremental shares of Common Stock issuable upon exercise of stock options. As of September 30, 2020, and 2019, the Company had total outstanding options of 5,099,038 and 2,914,641, respectively, and warrants of 13,351,245 and 11,132,960, respectively, outstanding restricted stock awards of 2,908,530 and 0, and 2,642,159 shares common shares potentially issuable from our Class B Units that were issued in August 2020, were excluded from the computation of net loss per share because they are anti-dilutive.

Goodwill and Intangible Assets

In accordance with FASB ASC Topic No. 350, Intangibles-Goodwill and Other, the Company reviews the recoverability of the carrying value of goodwill and other Intangible assets at least annually or whenever events or circumstances indicate a potential impairment. The Company's impairment testing will be done annually. Recoverability of goodwill is determined by comparing the fair value of Company's reporting units to the carrying value of the underlying net assets in the reporting units. If the fair value of a reporting unit is determined to be less than the carrying value of its net assets, goodwill is deemed impaired and an impairment loss is recognized to the extent that the carrying value of goodwill exceeds the difference between the fair value of the reporting unit and the fair value of its other assets and liabilities.

The acquisition of Verb Direct, formerly Sound Concepts, occurred on April 12, 2019. The Company will perform its first impairment test in December 2020.

The acquisition of Verb Acquisition Co formerly Ascend Certification, occurred on September 4, 2020. The Company will perform its first impairment test in fiscal 2021.

Long-Lived Assets

The Company evaluates long-lived assets for impairment whenever events or changes in circumstances indicate that their net book value may not be recoverable. When such factors and circumstances exist, the Company compares the projected undiscounted future cash flows associated with the related asset or group of assets over their estimated useful lives against their respective carrying amount. Impairment, if any, is based on the excess of the carrying amount over the fair value, based on market value when available, or discounted expected cash flows, of those assets and is recorded in the period in which the determination is made. Based on Management's assessment, there were no indicators of impairment at September 30, 2020 or December 31, 2019.

Fair Value of Financial Instruments

The Company follows the guidance of FASB ASC 825 for disclosures about fair value of its financial instruments and ASC 820 to measure the fair value of its financial instruments. ASC 820 establishes a framework for measuring fair value under GAAP, and expands disclosures about fair value measurements. To increase consistency and comparability in fair value measurements and related disclosures, ASC 820 establishes a fair value hierarchy which prioritizes the inputs to valuation techniques used to measure fair value into three (3) broad levels. The fair value hierarchy gives the highest priority to quoted prices (unadjusted) in active markets for identical assets or liabilities and the lowest priority to unobservable inputs.

The three (3) levels of fair value hierarchy defined by ASC 820 are described below:

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.

Level 3: Pricing inputs that are generally observable inputs and not corroborated by market data.

The carrying amount of the Company's financial assets and liabilities, such as cash and cash equivalents, prepaid expenses, and accounts payable and accrued expenses approximate their fair value due to their short-term nature. The carrying values financing obligations approximate their fair values due to the fact that the interest rates on these obligations are based on prevailing market interest rates. The Company uses Level 2 inputs for its valuation methodology for the derivative liabilities.

Segments

The Company has various revenue channels. In accordance with the "Segment Reporting" Topic of the ASC, the Company's chief operating decision maker (the Company's Chief Executive Officer) reviews operating results to make decisions about allocating resources and assessing performance for the entire Company. Existing guidance, which is based on a management approach to segment reporting, establishes requirements to report selected segment information quarterly and to report annually entity-wide disclosures about products and services, major customers, and the countries in which the entity holds material assets and reports revenue. All material operating units qualify for aggregation under "Segment Reporting" due to (i) their similar customer base and (ii) the Company having a single sales team, marketing department, customer service department, operations department, finance department, and accounting department to support all revenue channels. Since the Company operates in one segment, all financial information required by "Segment Reporting" can be found in the accompanying condensed consolidated financial statements.

Recent Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, Credit Losses - Measurement of Credit Losses on Financial Instruments ("ASC 326"). The standard significantly changes how entities will measure credit losses for most financial assets, including accounts and notes receivables. The standard will replace today's "incurred loss" approach with an "expected loss" model, under which companies will recognize allowances based on expected rather than incurred losses. Entities will apply the standard's provisions as a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. As small business filer, the standard will be effective for us for interim and annual reporting periods beginning after December 15, 2022. Management is currently assessing the impact of adopting this standard on the Company's financial statements and related disclosures.

In August 2020, the FASB issued ASU No. 2020-06, *Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity's Own Equity*. ASU 2020-06 will simplify the accounting for convertible instruments by reducing the number of accounting models for convertible debt instruments and convertible preferred stock. Limiting the accounting models will result in fewer embedded conversion features being separately recognized from the host contract as compared with current GAAP. Convertible instruments that continue to be subject to separation models are (1) those with embedded conversion features that are not clearly and closely related to the host contract, that meet the definition of a derivative, and that do not qualify for a scope exception from derivative accounting and (2) convertible debt instruments issued with substantial premiums for which the premiums are recorded as paid-in capital. ASU 2020-06 also amends the guidance for the derivatives scope exception for contracts in an entity's own equity to reduce form-over-substance-based accounting conclusions. ASU 2020-06 will be effective July 1, 2024, for the Company. Early adoption is permitted, but no earlier than July 1, 2021, including interim periods within that year. Management is currently evaluating the effect of the adoption of ASU 2020-06 on the consolidated financial statements, but currently does not believe ASU 2020-06 will have a significant impact on the Company.

Other recent accounting pronouncements issued by the FASB, including its Emerging Issues Task Force, the American Institute of Certified Public Accountants, and the Securities and Exchange Commission did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

3. ACQUISITIONS

a. ACQUISITION OF VERB DIRECT

On April 12, 2019, Verb completed its acquisition of Verb Direct (formerly known as Sound Concepts, Inc.) on the terms set forth in the Merger Agreement. At the effective time of the merger, each share of Sound Concepts Capital Stock issued and outstanding immediately prior to the effective time was cancelled in exchange for a cash payment by Verb of an aggregate of \$15,000,000, and the issuance of an aggregate of 3,327,791 restricted shares of Verb's Common Stock with a fair value of \$7,820,000 at the closing date of the transaction for a total purchase price of \$22,820,000.

The acquisition was intended to augment and diversify Verb's internet and SaaS business. Key factors that contributed to the recorded goodwill and intangible assets in the aggregate of \$22,677,000 were the opportunity to consolidate and complement existing operations of Verb, certain software and customer list, and the opportunity to generate future synergies within the internet and SaaS business. The following table summarizes the assets acquired, liabilities assumed and purchase price allocation:

<u>Assets Acquired:</u>			
Other current assets	\$	2,004,000	
Property and equipment		58,000	
Other assets		<u>1,302,000</u>	\$ 3,364,000
<u>Liabilities Assumed:</u>			
Current liabilities		(2,153,000)	
Long-term liabilities		<u>(1,068,000)</u>	(3,221,000)
Intangible assets			6,340,000
Goodwill			<u>16,337,000</u>
Purchase Price			<u>\$ 22,820,000</u>

The goodwill recognized in connection with the acquisition is primarily attributable to anticipated synergies from future growth and is not expected to be deductible for tax purposes. Goodwill is not amortized but will be tested for impairment on an annual basis.

The intangible assets, which consist of developed technology of \$4,700,000 are being amortized over 5-years, customer relationships of \$1,200,000 are being amortized on an accelerated basis over its estimated useful life of 5 years and domain names of \$440,000 are determined to have infinite lives but will be tested for impairment on an annual basis.

During the nine months ended September 30, 2020, the Company recorded amortization expense of \$945,000. As of September 30, 2020, the remaining unamortized balance of the intangible assets was \$4,420,000.

Subsequent to its acquisition, Verb Direct recognized revenues in the aggregate of \$7.7 million and \$6.6 million during the nine months ended September 30, 2020 and 2019, respectively and \$2.8 million and \$2.9 million during the three months ended September 30, 2020 and 2019, respectively.

b. ACQUISITION OF ASCEND CERTIFICATION

On September 4, 2020, Verb Acquisition Co., LLC (“Verb Acquisition”), a subsidiary of the Company, entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”) with Ascend Certification, LLC, dba SoloFire (“SoloFire”), the sellers party thereto (collectively, the “Sellers”), and Steve Deverall, solely in his capacity as the seller representative, under which Sellers agreed to sell their entire interest in SoloFire, representing all of the outstanding limited liability company membership interests of SoloFire, to Verb Acquisition for a base purchase price of \$5,700,000, subject to certain post-closing adjustments totaling \$750,000 for an adjusted purchase price of \$4,950,000. As a result, Verb Acquisition issued to the Sellers an amended promissory note of \$1,885,000 and 2,642,159 Class B Units of Verb Acquisition which are exchangeable for 2,642,159 shares of Verb’s Common Stock with an estimated fair value of \$3,065,000 (see Note 16) for a total purchase price of \$4,950,000. The promissory note is unsecured, bears interest at a rate of 0.14% per annum and will mature in October 2020. The amended promissory note was paid in full on October 1, 2020.

The acquisition was intended to augment and diversify Verb’s SaaS business. Key factors that contributed to the recorded provisional goodwill and intangible assets in the aggregate of \$5,245,000 were the opportunity to consolidate and complement existing operations of Verb, certain software and customer list, and the opportunity to generate future synergies within the SaaS business.

Verb is required to allocate the purchase price to the acquired tangible assets, identifiable intangible assets, and assumed liabilities based on their fair values. At the date of the acquisition and of this Quarterly Report on Form 10-Q, management has not yet finalized its valuation analysis. The fair values of the assets acquired, as set forth below, are considered provisional and subject to adjustment as additional information is obtained through the purchase price measurement period (a period of up to one year from the closing date). Any prospective adjustments would change the fair value allocation as of the acquisition date. The Company is still in the process of reviewing underlying models, assumptions and discount rates used in the valuation of provisional goodwill and intangible assets. The following table summarizes the provisional fair value of the assets assumed and liabilities acquired and the provisional purchase price allocation on the date of acquisition:

<u>Assets Acquired:</u>			
Cash	\$	229,000	
Accounts receivable		219,000	\$ 448,000
<u>Liabilities Assumed:</u>			
Current liabilities		(653,000)	
Long-term liabilities		(90,000)	(743,000)
Intangible assets (provisional)			1,883,000
Goodwill (provisional)			3,362,000
Purchase Price	\$		<u><u>4,950,000</u></u>

The provisional goodwill recognized in connection with the acquisition is primarily attributable to anticipated synergies from future growth and is not expected to be deductible for tax purposes. Goodwill is not amortized but will be tested for impairment on an annual basis.

The provisional intangible assets, which consist of developed technology of \$1,700,000 are being amortized over 5-years, customer relationships of \$120,000 are being amortized over 3 years, non-competition clause of \$60,000 is being amortized over 3 years, and domain names of \$3,000 are determined to have infinite lives but will be tested for impairment on an annual basis.

During the nine months ended September 30, 2020, the Company recorded amortization expense of \$33,000. As of September 30, 2020, the remaining unamortized balance of the intangible assets was \$1,850,000.

The following comparative unaudited statements of operations present the Company’s results of operations after giving effect to the purchase of Verb Direct and SoloFire based on the historical financial statements of the Company and Verb Direct and SoloFire. The unaudited pro forma statements of operations for the nine and three months ended September 30, 2020 and 2019 give effect to the transaction to the merger as if it had occurred on January 1, 2019.

	Three months ended September 30, 2020	Three months ended September 30, 2019	Nine months ended September 30, 2020	Nine months ended September 30, 2019
	(Proforma unaudited)	(Proforma unaudited)	(Proforma unaudited)	(Proforma, unaudited)
SaaS recurring subscription revenue	\$ 1,661,000	\$ 1,201,000	\$ 4,511,000	\$ 3,383,000
Other digital revenue	360,000	485,000	1,166,000	1,354,000
Welcome kits and fulfilment	836,000	1,164,000	2,277,000	5,213,000
Shipping	186,000	271,000	614,000	1,443,000
Total Revenue	<u>3,043,000</u>	<u>3,121,000</u>	<u>8,568,000</u>	<u>11,393,000</u>
Cost of revenue	<u>1,344,000</u>	<u>1,548,000</u>	<u>3,661,000</u>	<u>5,951,000</u>
Gross margin	1,699,000	1,573,000	4,907,000	5,442,000
Operating expenses	(9,771,000)	(5,353,000)	(21,615,000)	(16,100,000)
Other income, net	<u>574,000</u>	<u>526,000</u>	<u>3,550,000</u>	<u>1,406,000</u>
Net loss	<u>\$ (7,498,000)</u>	<u>\$ (3,254,000)</u>	<u>\$ (13,158,000)</u>	<u>\$ (9,252,000)</u>

4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of September 30, 2020 and December 31, 2019.

	<u>September 30, 2020</u> <u>(unaudited)</u>	<u>December 31, 2019</u>
Computers	\$ 29,000	\$ 29,000
Furniture and fixture	75,000	75,000
Machinery and equipment	40,000	39,000
Leasehold improvement	1,057,000	741,000
Total property and equipment	<u>1,201,000</u>	<u>884,000</u>
Accumulated depreciation	(294,000)	(164,000)
Total property and equipment, net	<u>\$ 907,000</u>	<u>\$ 720,000</u>

Depreciation expense amounted to \$130,000 and \$35,000 for nine months ended September 30, 2020 and 2019, respectively.

5. RIGHT-OF-USE ASSETS AND OPERATING LEASE LIABILITIES

The Company has entered into several leases that are accounted for as operating leases in accordance with ASC 842. The Company currently has four office and warehouse leases in American Fork, Utah related to the operation of Verb Direct with an aggregate lease payment of \$31,000 per month. Each lease expires in December 2023. The lessor of the office and warehouse area is JMCC Properties, which is an entity owned and controlled by the former shareholders and certain current officers of the Company's subsidiary, Verb Direct.

In addition, the Company leases offices located in Newport Beach, California under a lease with a term of 94 months. The average monthly base rent for the first 12 months of the Lease is approximately \$7,000 after rent abatement. For the next 82 months of the Lease, the average monthly base rent will be approximately \$39,000. As part of the agreement, the landlord provided leasehold incentive of \$572,000 for the construction of the leasehold improvements. Pursuant to ASC 842, the lease incentive of \$572,000 was recorded as a part of leasehold improvements and a reduction to the right of use assets. The Lease commenced in August 2019.

As September 30, 2020 and December 31, 2019, the Company had recorded right of use assets of \$2,868,000 and \$3,275,000, respectively, net of amortization. As September 30, 2020 and December 31, 2019, the Company had recorded lease liabilities of \$3,696,000 and \$3,982,000, respectively, related to these leases.

	<u>Period Ended</u> <u>September 30, 2020</u> <u>(unaudited)</u>	<u>Period Ended</u> <u>September 30, 2019</u> <u>(unaudited)</u>
<u>Lease cost</u>		
Operating lease cost (included in general and administration in the Company's statement of operations)	\$ 524,000	\$ 281,000
<u>Other information</u>		
Cash paid for amounts included in the measurement of lease liabilities	\$ 383,000	\$ 281,000
Weighted average remaining lease term – operating leases (in years)	4.70	5.44
Average discount rate – operating leases	4.0%	4.0%

	<u>September 30, 2020</u> <u>(unaudited)</u>	<u>December 31, 2019</u>
<u>Operating leases</u>		
Right-of-use assets, net of amortization of \$756,000 and \$349,000, respectively	<u>\$ 2,868,000</u>	<u>\$ 3,275,000</u>
Short-term operating lease liabilities	\$ 595,000	\$ 391,000
Long-term operating lease liabilities	<u>3,101,000</u>	<u>3,591,000</u>
Total operating lease liabilities	<u>\$ 3,696,000</u>	<u>\$ 3,982,000</u>

6. ADVANCE OF FUTURE RECEIPTS

The Company has the following advances on future receipts as of September 30, 2020:

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at September 30, 2020	Balance at December 31, 2019
Note 1	December 24, 2019	June 30, 2020	10%	\$ 506,000	\$ -	\$ 503,000
Note 2	December 24, 2019	June 30, 2020	10%	506,000	-	503,000
Note 3	June 30, 2020	February 25, 2021	10%	506,000	297,000	-
Note 4	June 30, 2020	February 25, 2021	10%	506,000	297,000	-
Total				\$ 1,012,000	594,000	1,006,000
Debt discount					(176,000)	(274,000)
Net					\$ 418,000	\$ 732,000

Note 1 and 2

On December 24, 2019, the Company received two secured advances from an unaffiliated third party totaling \$728,000 for the purchase of future receipts/revenues of \$1,012,000. Pursuant to the terms of the agreement the unaffiliated third-party auto withdrew an aggregate of \$6,000 from the Company's operating account each banking day. The term of the agreement extended until the advances are paid in full. The notes did not bear any interest, however, the interest was imputed at a rate of 28% based on the face value of the note. These advances were secured by the Company's tangible and intangible assets.

The Company accounted these advances on future receipts as a liability pursuant to current accounting guidelines. As a result, the Company recorded a liability of \$1,012,000 to account for the future receipts sold and a debt discount of \$285,000 to account for the difference between the future receipts sold and the cash received. The debt discount was being amortized over the term of the agreement. As of December 31, 2019, outstanding balance of the advances amounted to \$1,006,000 and the unamortized debt discount of \$274,000.

During the period ended September 30, 2020, the Company paid the entire amount due of \$1,006,000 and amortized the corresponding debt discount for \$274,000.

Note 3 and 4

On June 30, 2020, the Company received two secured advances from the same unaffiliated third party totaling \$728,000 for the purchase of future receipts/revenues of \$1,012,000. Pursuant to the terms of the agreement the unaffiliated third-party will auto withdraw an aggregate of \$6,000 from the Company's operating account each banking day. The term of the agreement extends until the advances are paid in full. The Company may pay off either note for \$446,000 if paid within 30 days of funding; for \$465,000 if paid between 31 and 60 days of funding; or for \$484,000 if paid within 61 to 90 days of funding. These advances are secured by the Company's tangible and intangible assets. As a result, the Company recorded a liability of \$1,012,000 to account for the future receipts sold and a debt discount of \$284,000 to account for the difference between the future receipts sold and the cash received. The debt discount is being amortized over the term of the agreement.

During the period ended September 30, 2020, the Company paid \$418,000 the balance outstanding and amortized \$108,000 of the debt discount. As of September 30, 2020 outstanding balance of the notes amounted to \$594,000 and the unamortized balance of the debt discount was \$176,000.

7. NOTES PAYABLE – RELATED PARTIES

The Company has the following related parties notes payable as of September 30, 2020 and December 31, 2019:

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at September 30, 2020	Balance at December 31, 2019
Note 1 (A)	December 1, 2015	February 8, 2021	12.0%	\$ 1,249,000	\$ 825,000	\$ 825,000
Note 2 (B)	December 1, 2015	April 1, 2017	12.0%	112,000	112,000	112,000
Note 3 (C)	April 4, 2016	June 4, 2021	12.0%	343,000	240,000	240,000
Total notes payable – related parties					1,177,000	1,177,000
Non-current					-	(1,065,000)
Current					\$ 1,177,000	\$ 112,000

(A) On December 1, 2015, the Company issued a convertible note payable to Mr. Rory J. Cutaia, the Company's majority stockholder and Chief Executive Officer, to consolidate all loans and advances made by Mr. Cutaia to the Company as of that date. The note bears interest at a rate of 12% per annum, secured by the Company's assets, and will mature on February 8, 2021, as amended.

As of September 30, 2020, and December 31, 2019, the outstanding balance of the note amounted to \$825,000, respectively.

(B) On December 1, 2015, the Company issued a note payable to a former member of the Company's board of directors, in the amount of \$112,000, representing unpaid consulting fees as of November 30, 2015. The note is unsecured, bears interest rate of 12% per annum, and matured in April 2017.

As of September 30, 2020, and December 31, 2019, the outstanding principal balance of the note amounted to \$112,000, respectively. As of September 30, 2020, the note was past due, and remains past due. The Company is currently in negotiations with the noteholder to settle the past due note.

(C) On April 4, 2016, the Company issued a convertible note to Mr. Cutaia, in the amount of \$343,000, to consolidate all advances made by Mr. Cutaia to the Company during the period December 2015 through March 2016. The note bears interest at a rate of 12% per annum, is secured by the Company's assets, and will mature on June 4, 2021, as amended.

As of September 30, 2020, and December 31, 2019, the outstanding balance of the note amounted to \$240,000, respectively.

Total interest expense for notes payable to related parties was \$106,000 for nine months ended September 30, 2020 and 2019, respectively. The Company paid \$100,000 and \$96,000 in interest for the nine months ended September 30, 2020 and 2019, respectively.

8. NOTES PAYABLE

The Company has the following notes payable as of September 30, 2020:

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at September 30, 2020
Note A	April 17, 2020	April 17, 2022	1.00%	\$ 1,218,000	\$ 1,218,000
Note B	May 15, 2020	May 15, 2050	3.75%	150,000	150,000
Note C	May 1, 2020	May 1, 2022	3.75%	90,000	90,000
Note D	September 4, 2020	October 1, 2020	0.14%	1,982,000	1,885,000
Total notes payable				3,440,000	3,343,000
Non-current				1,458,000	1,458,000
Current				\$ 1,982,000	\$ 1,885,000

(A) On April 17, 2020, the Company received loan proceeds in the amount of \$1,218,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act ("CARES Act"), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after the earlier of (i) 24 weeks after the loan disbursement date and (ii) December 31, 2020 as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Company to be ineligible for forgiveness of the loan, in whole or in part. As for the potential loan forgiveness, once the PPP loan is, in part or wholly, forgiven and a legal release is received, the liability would be reduced by the amount forgiven and a gain on extinguishment would be recorded. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The Company was in compliance with the terms of the PPP loan as of September 30, 2020.

(B) On May 15, 2020, the Company executed an unsecured loan with the U.S. Small Business Administration (SBA) under the Economic Injury Disaster Loan program in the amount of \$150,000. The loan is secured by all tangible and intangible assets of the Company and payable over 30 years at an interest rate of 3.75% per annum. Installment payments, including principal and interest, will begin on May 15, 2021.

As part of the loan, the Company also received an advance of \$10,000 from the SBA. While the SBA refers to this program as an advance, it was written into law as a grant. This means that the amount given through this program does not need to be repaid. As a result, the Company accounted this \$10,000 as part of “Other Income” in the accompanying Statement of Operations.

(C) On May 1, 2020, SoloFire received loan proceeds in the amount of \$90,000 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after the earlier of (i) 24 weeks after the loan disbursement date and (ii) December 31, 2020 as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Company to be ineligible for forgiveness of the loan, in whole or in part. As for the potential loan forgiveness, once the PPP loan is, in part or wholly, forgiven and a legal release is received, the liability would be reduced by the amount forgiven and a gain on extinguishment would be recorded. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The Company was in compliance with the terms of the PPP loan as of September 30, 2020.

(D) On September 4, 2020, Verb Acquisition issued a note payable to the owners of SoloFire, in the amount of \$1,982,000, as part of the consideration related to the acquisition of SoloFire. The note bears interest at a rate of 0.14% per annum, with a maturity date of October 1, 2020.

Effective September 30, 2020, the note was amended to \$1,885,000 to account for contractual working capital adjustments. All other terms remain the same. On October 1, 2020, Verb Acquisition paid off the note in full.

9. DEFERRED INCENTIVE COMPENSATION TO OFFICERS

Note	Date	Payment Date	Balance at September 30, 2020	Balance at December 31, 2019
Rory Cutaia (A)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	\$ 430,000	\$ 430,000
Rory Cutaia (B)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	324,000	324,000
Jeff Clayborne (A)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	125,000	125,000
Jeff Clayborne (B)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	163,000	163,000
Total			1,042,000	1,042,000
Non-current			(521,000)	(1,042,000)
Current			\$ 521,000	\$ -

(A) On December 23, 2019, the Company awarded Rory Cutaia, Chief Executive Officer and Jeff Clayborne, Chief Financial Officer Annual Incentive Compensation of \$430,000 and 125,000, respectively for services rendered. The Company has determined that it is in its best interest and in the best interest of its stockholders to defer payments to these Employees. The Company will pay 50% of the Annual Incentive Compensation on January 10, 2021 and the remaining 50% on January 10, 2022.

(B) On December 23, 2019, the Company awarded Rory Cutaia, Chief Executive Officer and Jeff Clayborne, Chief Financial Officer a bonus for the successful up-listing to Nasdaq and the acquisition of Verb Direct during fiscal 2019, totaling \$324,000 and \$162,000, respectively. The Company has determined that it is in its best interest and in the best interest of its stockholders to defer payments to these Employees. The Company will pay 50% of the Nasdaq up-listing award on January 10, 2021 and the remaining 50% on January 10, 2022.

10. CONVERTIBLE SERIES A PREFERRED STOCK AND WARRANT OFFERING

On August 14, 2019, we entered into a Securities Purchase Agreement (the “SPA”) with certain accredited investors (the “Preferred Purchasers”), pursuant to which we agreed to issue and sell to the Preferred Purchasers up to an aggregate of 6,000 shares of Series A Preferred Stock (which, at the initial conversion price, are convertible into an aggregate of up to approximately 3.87 million shares of Common Stock) and warrants (the “August Warrants”) to purchase up to an equivalent number of shares of Common Stock. We closed the offering on August 14, 2019, and issued 5,030 shares of Series A Preferred Stock and granted the August Warrants to purchase up to 3,245,162 shares of Common Stock in connection therewith. We received proceeds of \$4,688,000, net of direct costs of \$342,000.

The SPA grants the Preferred Purchasers a right to participate, up to a certain amount, in subsequent financings for a period of 24 months. The SPA also prohibits us from entering into any agreement to issue, or announcing the issuance or proposed issuance, of any shares of Common Stock or Common Stock equivalents for a period of 90 days after the date that the registration statement, registering the shares issuable upon conversion of the Series A Preferred Stock and exercise of the August Warrants, is declared effective. We are also prohibited, until the date that the Preferred Purchasers no longer collectively hold at least 20% of the then-outstanding shares of Series A Preferred Stock issued pursuant to the SPA, from entering into an agreement to effect any issuance by us of Common Stock or Common Stock equivalents involving certain variable rate transactions. We also cannot enter into agreements related to “at-the-market” transactions for a period of 12 months. At the later of (i) the date that the August Warrants are fully exercised, and (ii) 12 months from the date of the SPA, we cannot draw down on any existing or future agreement with respect to “at-the-market” transactions if the sale of the shares in such transactions has a per share purchase price that is less than \$3.76 (two times the exercise price of the Warrants).

Each share of Series A Preferred Stock is convertible, at any time and from time to time from and after the issuance date, at the holder’s option in to that number of shares of Common Stock equal to the stated value per share (or \$1,000) divided by the conversion price (initially, \$1.55); thus, initially, each share of Series A Preferred Stock is convertible into approximately 645 shares of Common Stock. In certain circumstances, the Series A Preferred Stock is mandatorily convertible into shares of Common Stock after the Company obtains stockholder approval to issue a number of shares of Common Stock in excess of 19.99% and the closing price of the Common Stock is 100% greater than the then-base conversion price on each trading day for any 20 trading days during a consecutive 30-trading-day period.

During the three months ended September 30, 2020, 1,990 shares of Preferred Stock were converted into 1,405,274 shares of Common Stock. As of September 30, 2020, 2,406 shares Series A Preferred stock are outstanding and potentially convertible into approximately 2.2 million shares of Common Stock.

11. DERIVATIVE LIABILITY

Under authoritative guidance used by the FASB on determining whether an instrument (or embedded feature) is indexed to an entity’s own stock, instruments that do not have fixed settlement provisions are deemed to be derivative instruments. The Company granted certain warrants that included a fundamental transaction provision that could give rise to an obligation to pay cash to the warrant holder.

As a result, the warrants are classified as liabilities and are bifurcated from the debt host and accounted for as a derivative liability in accordance with ASC 815 and will be re-measured at the end of every reporting period with the change in value reported in the statement of operations. As of December 31, 2019, the Company had recorded a derivative liability of \$5,048,000.

During the period ended September 30, 2020, the Company recorded a derivative liability of \$3,951,000 as a result of the issuance of 2,303,861 warrants to acquire common stock to Series A Preferred stockholders (see Note 12). The Company also recorded a change in fair value of (\$4,295,000) to account for the changes in the fair value of these derivative liabilities during the nine months ended September 30, 2020. In addition, 95,000 shares of the Series A warrants that were accounted as derivative liability were exercised. As result, the Company computed the fair value of the corresponding derivate liability one last time which amounted to \$159,000 and the pursuant to current accounting guidelines, the extinguishment was accounted as part of equity.

At September 30, 2020, the fair value of the derivative liability amounted to \$4,545,000. The details of derivative liability transactions as of and for the periods ended September 30, 2020 and 2019 are as follows:

	September 30, 2020	September 30, 2019
Beginning Balance	\$ 5,048,000	\$ 2,576,000
Fair value upon issuance of notes payable and warrants	3,951,000	6,561,000
Change in fair value	(4,295,000)	(3,320,000)
Extinguishment	(159,000)	(2,227,000)
Ending Balance	\$ 4,545,000	\$ 3,591,000

The derivative liabilities were valued using a Binomial pricing model with the following average assumptions:

	September 30, 2020	Upon Issuance	December 31, 2019
Stock Price	\$ 1.08	\$ 1.70	\$ 1.55
Exercise Price	\$ 1.62	\$ 1.55	\$ 1.88
Expected Life	2.78	5.0	3.53
Volatility	107%	212%	216%
Dividend Yield	0%	0%	0%
Risk-Free Interest Rate	0.14%	2.47%	1.64%
Fair Value	<u>\$ 4,545,000</u>	<u>\$ 3,951,000</u>	<u>\$ 5,048,000</u>

The expected life of the warrants was based on the remaining contractual term. The Company uses the historical volatility of its Common Stock to estimate the future volatility for its Common Stock. The expected dividend yield was based on the fact that the Company has not paid dividends in the past and does not expect to pay dividends in the future. The risk-free interest rate was based on rates established by the Federal Reserve Bank.

12. EQUITY TRANSACTIONS

The Company's Common Stock activity for the nine months ended September 30, 2020 is as follows:

Common Stock

Shares Issued as Part of the Company's Private Placement

On February 5, 2020, the Company initiated a private placement, which is for the sale and issuance of up to five million shares of its Common Stock at a per-share price of \$1.20, which amount represents a 20% discount to the \$1.50 closing price of the Company's Common Stock on that day.

The Company's private placement is exempt from the registration requirements of Section 5 of the Securities Act of 1933, as amended (the "Securities Act"), in reliance on Section 4(a)(2) thereof and/or Rule 506 of Regulation D and Regulation S thereunder, each as promulgated by the SEC. The Company's private placement was managed by the Company; however, in connection with the closings, the Company paid a non-U.S. based consultant (i) as a cash fee, an aggregate amount of \$499,000 (or 10% of the gross proceeds of the closings), (ii) as a non-accountable expense allowance, an aggregate of \$100,000 (or 2% of the gross proceeds of the closings), (iii) five-year warrants, exercisable for an aggregate of up to 416,199 shares of the Company's Common stock at a cash-only exercise price of \$1.92 per share, and (iv) 100,000 shares of the Company's Common Stock. The Company made the above-referenced payments only in respect of that portion of the gross proceeds from the closings for investors introduced to the Company by the consultant. In addition, the Company also incurred various expenses totaling \$42,000 that are directly related to this private placement.

As a result of this private placement, from February through April 2020, a total of 4,237,833 shares of Common Stock were sold in exchange for cash proceeds of \$4,444,000, net of direct fees and expenses in the aggregate of \$641,000.

In preparation for this private placement offering, the Company separately negotiated with certain Series A stockholders to waive their rights in order not to ratchet down the conversion price of their Series A preferred shares (see Note 9). In return for the waiver, the Company granted these Series A stockholders warrants to purchase 2,303,861 shares of Common Stock. The warrants are exercisable in August 2020, expire in 5 years and are exercisable at \$1.20 per share, as adjusted. The exercise price is subject to certain customary adjustments, including subsequent equity sales and rights offerings. In addition, the warrants also included a fundamental transaction provision that could give rise to an obligation to pay cash to the warrant holder. As a result of this fundamental transaction provision, the warrants were accounted as derivative liability with a fair value upon issuance of \$3,951,000 upon issuance. The Company accounted the fair value of \$3,951,000 as a deemed dividend since if the down round provision of the Series A preferred shares had occurred, it would have been accounted as a deemed dividend due to it providing additional value to the Series A stockholders.

Shares Issued as Part of the Company's Public Offering

On July 24, 2020, the Company concluded its public offering pursuant to a registration statement on Form S-1 (File No. 333-239055) and issued and sold 12,545,453 shares of Common Stock (which included 1,636,363 shares of Common Stock sold pursuant to the exercise by the underwriters of an overallotment option). The net proceeds to the Company, after deducting the underwriting discounts and commissions and direct offering expenses was \$12,337,000.

Shares Issued for Services

During the nine months ended September 30, 2020, the Company issued 962,583 shares of Common Stock to vendors for services rendered and to be rendered with a fair value of \$1,126,000. These shares of Common Stock were valued based on the market value of the Company's Common Stock price at the issuance date or the date the Company entered into the agreement related to the issuance.

13. RESTRICTED STOCK AWARDS

Pursuant to the Company's December 2019 Omnibus Incentive Plan, a summary of restricted stock award activity for the nine months ended September 30, 2020 is presented below.

	<u>Shares</u>	<u>Fair Value</u>	<u>Weighted- Average Grant Date Fair Value</u>
Non-vested at December 31, 2019	1,486,354	\$ 2,021,000	\$ 1.36
Granted	2,871,471	3,379,000	1.18
Vested/deemed vested	(1,050,856)	(2,696,000)	1.26
Returned	(336,533)	485,000	1.31
Forfeited	(61,906)	(91,000)	1.47
Non-vested at September 30, 2020	<u>2,908,530</u>	<u>\$ 3,544,000</u>	<u>\$ 1.22</u>

On April 10, 2020, the board of directors of the Company, approved management's COVID-19 Full Employment and Cash Preservation Plan (the "Plan"), pursuant to which all directors and senior level management would reduce their cash compensation by 25%, and all other employees and consultants would reduce their cash compensation by 20% (the "Cash Reduction Amount") for a period of three months from April 16, 2020 through July 15, 2020 for one category of plan participants, and April 26, 2020 through July 18, 2020 for the other category of participants. The Plan was designed to promote the continued growth of the Company and avoid the lay-offs and staff cut-backs experienced by many companies affected by the COVID-19 economic crisis. The Cash Reduction Amount is to be paid in shares of the Company's common stock (the "Shares") through an allocation of shares from the Company's 2019 Omnibus Incentive Plan (the "Omnibus Incentive Plan") and granted pursuant to stock award agreements entered into effective as of April 10, 2020 (the "Grant Date") between the Company and each of the Company's directors, executive officers, employees, and consultants. The stock award agreements provide that the Shares will vest on July 18, 2020 (the "Vesting Date") as long as the recipient remains in continuous service to the Company during the time from the Grant Date through the Vesting Date. The number of Shares issued were determined in accordance with the provisions of the Omnibus Incentive Plan, which provides that the value shall be determined based on the volume weighted average price of the Company's common stock during a period of up to the 30-trading days prior to the Grant Date. Total Common Stock granted as part of the Cash Preservation Plan on April 10, 2020 was 589,098 with a fair value of \$866,000. The shares were valued based on the market value of the Company's stock price on the grant date and will be amortized over its vesting term.

During the period ended September 30, 2020, the Company granted an additional 2,871,471 shares of its restricted stock to employees and members of Board of Directors. The Restricted Stock Awards vest in various dates, starting on grant date up to July 2024. These Restricted Stock Awards were valued based on market value of the Company's stock price at the respective date of grant and had aggregate fair value of \$3,379,000, which is being amortized as stock compensation expense over its vesting term.

During the period ended September 30, 2020 336,533 shares granted to various employees that vested were returned to the Company in exchange for the Company paying the corresponding income and payroll taxes of these employees amounting \$485,000. Pursuant to current accounting guidelines, the Company accounted the return of the 336,533 shares and the payment of \$485,000 for income and payroll taxes paid on behalf the employees as a reduction in additional paid in capital.

The total fair value of restricted stock award that vested or deemed vested during the nine months ended September 30, 2020 was \$2,696,000 and is included in selling, general and administrative expenses in the accompanying statements of operations. As of September 30, 2020, the amount of unvested compensation related to issuances of restricted stock award was \$3,544,000 which will be recognized as an expense in future periods as the shares vest.

14. STOCK OPTIONS

Effective October 16, 2014, the Company adopted the 2014 Stock Option Plan (the “2014 Plan”) under the administration of the board of directors to retain the services of valued key employees and consultants of the Company.

At its discretion, the Company grants share option awards to certain employees and non-employees under the Plan and accounts for it in accordance with ASC 718, Compensation – Stock Compensation.

A summary of option activity for the nine months ended September 30, 2020 is presented below.

	<u>Options</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at December 31, 2019	4,233,722	\$ 1.73	2.54	\$ 995,000
Granted	1,035,637	1.37	-	-
Forfeited	(170,321)	3.53	-	-
Exercised	-	-	-	-
Outstanding at September 30, 2020	<u>5,099,038</u>	<u>\$ 1.59</u>	<u>2.54</u>	<u>\$ -</u>
Vested September 30, 2020	2,563,321	\$ 1.89		\$ -
Exercisable at September 30, 2020	1,644,015	\$ 2.16		\$ -

At September 30, 2020, there was no intrinsic value as the exercise price of these stock options were greater than the market price.

During the nine months ended September 30, 2020 the Company granted stock options to employees to purchase a total of 1,035,637 shares of Common Stock for services to be rendered. The options have an average exercise price of \$1.37 per share, expire in five years, and cliff vest over a period of 0.4 to 4 years from the grant date. The total fair value of these options at the grant date was approximately \$1,242,000 using the Black-Scholes Option pricing model.

The total stock compensation expense recognized relating to vesting of stock options for the nine months ended September 30, 2020 amounted to \$1,215,000. As of September 30, 2020, total unrecognized stock-based compensation expense was \$3.8 million, which is expected to be recognized as part of operating expense through August 2024.

The fair value of share option award is estimated using the Black-Scholes option pricing method based on the following weighted-average assumptions:

	<u>Nine months ended September 30,</u>	
	<u>2020</u>	<u>2019</u>
Risk-free interest rate	0.17% - 0.39%	1.55% - 2.75%
Average expected term	1 to 5 years	3.6 to 5 years
Expected volatility	270.10 - 270.57%	180 – 275.29%
Expected dividend yield	-	-

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of measurement corresponding with the expected term of the share option award; the expected term represents the weighted-average period of time that share option awards granted are expected to be outstanding giving consideration to vesting schedules and historical participant exercise behavior; the expected volatility is based upon historical volatility of the Company’s Common Stock; and the expected dividend yield is based on the fact that the Company has not paid dividends in the past and does not expect to pay dividends in the future.

15. WARRANTS

The Company has the following warrants outstanding as of September 30, 2020, all of which are exercisable:

	<u>Warrants</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at December 31, 2019	10,930,991	\$ 3.07	4.25	\$ -
Granted	4,630,654	1.17	-	-
Forfeited	(244,800)	3.53	-	-
Exercised	(1,965,594)	1.10	-	-
Outstanding at September 30, 2020, all vested	<u>13,351,251</u>	<u>\$ 2.50</u>	<u>3.63</u>	<u>\$ -</u>

At September 30, 2020, there was no intrinsic value as the exercise price of these stock warrants were greater than the market price.

During the period ended September 30, 2020, the Company granted 416,199 warrants to a consultant as part of a private placement offering and 2,303,861 warrants to Series A stockholders (see Note 12). In addition, the Company also granted warrants to certain shareholders to purchase 1,910,594 shares of common stock as part of settlement with regards to the Company's public offering that occurred in July 2020 (see Note 12). The warrants are fully vested upon grant, exercisable at \$1.10 per share, expire in 0.01 year with an estimated fair value of \$248,000 using the Black-Scholes Option pricing model. The Company accounted the estimated fair value of \$248,000 as a financing costs.

During the period ended September 30, 2020, a total of 1,965,594 warrants were exercised into 1,965,594 shares of Common Stock at a weighted average exercise price of \$1.10. The Company received cash of \$2,165,000 upon exercise of the warrants.

16. ISSUANCE OF CLASS A and B UNITS

- a. Class A Units – during the period ended September 30, 2020, Verb Acquisition issued 100 Class A units to the Company as part of the organization of Verb Acquisition. The Class A Units have the following rights and privileges:
1. Priority on distributions;
 2. Ability to remove the manager;
 3. Drag-along rights;
 4. Power to dissolve Verb Acquisition provided that a majority of the Class B Units also approve the dissolution;
 5. Ability to appoint a liquidator to wind up the affairs of Verb Acquisition;
 6. Entitled to distributions;
 7. Approve board appointments; and
 8. Approve any amendments to Verb Acquisition's operating agreement, provided that a majority of the Class B Units also approve the amendment.
- b. Class B Units – during the period ended September 30, 2020, Verb Acquisition issued 2,642,159 Class B Units as part of its acquisition of SoloFire (see Note 3). The Class B Units have the following rights and privileges:
1. Exchangeable for shares of the Company's Common Stock at a conversion rate of 1 to 1;
 2. Power to dissolve Verb Acquisition, provided that a majority of the Class A Units also approve the dissolution;
 3. Entitled to profit distributions;
 4. Approve board appointments made by the Class A Units; and
 5. Approve any amendments to Verb Acquisition's operating agreement, provided that a majority of the Class A Units also approve the amendment.

As the Class B Units are exchangeable for the Company's Common Stock, for valuation purposes, the Company determined to use the trading price of the Company's Common Stock at the date of the acquisition of SoloFire which amounted to \$3,065,000.

17. COMMITMENTS AND CONTINGENCIES

Litigation

a. EMA Financial, LLC

On April 24, 2018, EMA Financial, LLC (“EMA”), commenced an action against the Company, styled as EMA Financial, LLC, a New York limited liability company, Plaintiff, against nFUSZ, Inc., Defendant, United States District Court, Southern District of New York, case number 1:18-cv-03634-NRB. The complaint sets forth four causes of action and seeks money damages, injunctive relief, liquidated damages, and declaratory relief related to the Company’s refusal to agree to EMA’s interpretation of a cashless exercise provision in a common stock warrant we granted to EMA in December 2017. The Company interposed several counterclaims, including a claim for reformation of the underlying agreements to reflect the Company’s interpretation of the cashless exercise provision. Both parties moved for summary judgment.

On March 16, 2020, the United States District Court entered a decision agreeing with the Company’s position, denying EMA’s motion for declaratory judgement on its interpretation of the cashless exercise formula, and stating, inter alia, that “the Agreements read in their entirety reveal that nFUSZ, Inc.’s position regarding the proper cashless exercise formula is the only sensible one and that the cashless exercise formula must be enforced accordingly.” The court went on to order that in light of this finding, the parties should submit a proposal for future proceedings. Accordingly, the Company has instructed its counsel to prosecute the Company’s claims for reimbursement of all of the costs it incurred in connection with this action, including all attorneys’ fees as well as all damages it incurred as a result of EMA’s conduct.

b. Former Employee

The Company is currently in a dispute with a former employee of its predecessor bBooth, Inc. who has interposed a breach of contract claim in which he alleges that he is entitled to approximately \$300,000 in unpaid bonus compensation from 2015. The Company does not believe his claims have any merit as they are contradicted by documentary evidence, and barred by the applicable statute of limitations, and barred by a release executed by the former employee when the Company purchased all of his shares of stock more than 4 years ago in January 2016. The Company intends to seek dismissal of the former employee’s claims.

c. Class Action

On July 9, 2019, a purported class action complaint was filed in the United States District Court, Central District of California, styled *SCOTT C. HARTMANN, Individually and on Behalf of All Others Similarly Situated, Plaintiff, v. VERB TECHNOLOGY COMPANY, INC., and RORY J. CUTAIA, Defendant, Case Number 2:19-CV-05896*. The complaint purports to be brought on behalf of a class of persons or entities who purchased or otherwise acquired the Company's Common Stock between January 3, 2018 and May 2, 2018, and alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, arising out of the January 3, 2018, announcement by the Company of its agreement with Oracle America, Inc. The complaint seeks unspecified costs and damages. The Company believes the complaint is without merit.

On May 15, 2020, we executed a binding Memorandum of Understanding with the lead plaintiff in the class action lawsuit to settle that action and release the claims asserted therein. The terms of the settlement are confidential pending submission to the court, and subject to several contingencies, including but not limited to court approval. We believe we have established an appropriate reserve to account for the potential settlement.

By Order dated October 27, 2020, the court granted preliminary approval of the class action settlement.

d. Derivative Action

On September 27, 2019, a derivative action was filed in the United States District Court, Central District of California, styled *Richard Moore, Individually and on Behalf of All Others Similarly Situated, Plaintiff, v. Verb Technology Company, Inc., and Rory J. Cutiaia, James P. Geiskopf, and Jeff Clayborne, Defendants, Case Number 2:19-CV-08393-AB-SS*. The derivative action also arises out of the January 3, 2018, announcement by the Company of its agreement with Oracle America, Inc. The derivative action alleges claims for breach of fiduciary duty, unjust enrichment, and waste of corporate assets due to the costs associated with the defense of the above referenced class action complaint. The derivative complaint seeks a declaration that the individual defendants have breached their duties, unspecified damages, and certain purportedly remedial measures. The Company contends that the class action is without merit and as such, this derivative action, upon which it relies, is likewise without merit.

On November 5, 2020, we executed a binding settlement term sheet with the lead plaintiff in the derivative action to settle that action and release all claims asserted therein. The terms of the settlement are confidential pending submission to the court, and subject to several contingencies, including but not limited to court approval.

The Company knows of no other material pending legal proceedings to which the Company or any of its subsidiaries is a party or to which any of its assets or properties, or the assets or properties of any of its subsidiaries, are subject and, to the best of its knowledge, no adverse legal activity is anticipated or threatened. In addition, the Company does not know of any such proceedings contemplated by any governmental authorities.

The Company knows of no material proceedings in which any of its directors, officers, or affiliates, or any registered or beneficial stockholder is a party adverse to the Company or any of its subsidiaries or has a material interest adverse to the Company or any of its subsidiaries.

The Company believes it has adequately reserved for all litigation within its financial statements.

Board of Directors

The Company has committed an aggregate of \$475,000 in annual board fees to its five board members over the term of their appointment for services to be rendered. Board fees are accrued and paid monthly. The members will serve on the board until the annual meeting for the year in which their term expires or until their successors has been elected and qualified.

Total board fees expensed during the period ended September 30, 2020 was \$309,000. As of September 30, 2020, total board fees to be recognized in future period amounted to \$90,000 and will be recognized once the service has been rendered.

COVID-19

In March 2020, the World Health Organization declared that the rapidly spreading COVID-19 outbreak was a global pandemic (the “COVID-19 pandemic”). In response to the COVID-19 pandemic, many governments around the world have implemented, and continue to implement, a variety of measures to reduce the spread of COVID-19, including travel restrictions and bans, instructions to residents to practice social distancing, quarantine advisories, shelter-in place orders and required closures of non-essential businesses.

The global outbreak of COVID-19 has led to severe disruptions in general economic activities, as businesses and federal, state, and local governments take increasingly broad actions to mitigate this public health crisis. We have experienced disruption to our business, both in terms of disruption of our operations and the adverse effect on overall economic conditions. These conditions will significantly negatively impact all aspects of our business. Our business is dependent on the continued health and productivity of our employees, including our software engineers, sales staff and corporate management team. Individually and collectively, the consequences of the COVID-19 outbreak could have a material adverse effect on our business, sales, results of operations and financial condition.

Additionally, our liquidity could be negatively impacted if these conditions continue for a significant period of time and we may be required to pursue additional sources of financing to obtain working capital, maintain appropriate inventory levels, and meet our financial obligations. Currently, capital and credit markets have been disrupted by the crisis and our ability to obtain any required financing is not guaranteed and largely dependent upon evolving market conditions and other factors. Depending on the continued impact of the crisis, further actions may be required to improve our cash position and capital structure.

The extent to which the COVID-19 outbreak ultimately impacts our business, sales, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 outbreak has subsided, we may continue to experience significant impacts to our business as a result of its global economic impact, including any economic downturn or recession that has occurred or may occur in the future.

18. SUBSEQUENT EVENTS

Issuance of Common Stock

Subsequent to September 30, 2020, the Company issued 30,000 shares of Common Stock to vendors for services rendered with a fair value of \$33,000. These shares of Common Stock were valued based on the market value of the Company's stock price at the issuance date or the date the Company entered into the agreement related to the issuance.

Grant of Stock Options

Subsequent to September 30, 2020, the Company granted stock options to an employee to purchase a total of 914,171 shares of Common Stock for services rendered. The options have an average exercise price of \$1.33 per share, expire in five years, and vest over a period of 0.5 to 4 years from grant date. The total fair value of these options at the grant date was \$1,016,000 using the Black-Scholes option pricing model.

Restricted Stock Awards

Subsequent to September 30, 2020, the Company issued a 60,000 Restricted Stock Awards to an advisory board member that cliff vest quarterly over one year from grant date with an aggregate fair value of \$68,000.

Registration of Common Stock, Options of Common Stock, and Shares of Common Stock Underlying Warrants

On October 20, 2020, the Company filed a registration statement on Form S-3 with the SEC. The prospectus contained in the registration statement to the proposed resale by the selling security holders named in the prospectus or their permitted assigns of an aggregate of up to 8,393,387 shares of our Common Stock held by the selling security holders, which amount consists of (i) 5,087,326 shares of Common Stock outstanding as of the date of the registration statement, (ii) an aggregate of 416,199 shares of Common Stock issuable upon exercise of Common Stock purchase warrants issued to a non-U.S. consultant in connection with a private placement of Common Stock to certain of the Company's selling security holders, (iii) 247,703 restricted stock units granted pursuant to a Restricted Stock Award Agreement, and (iv) an aggregate of 2,642,159 shares of Common Stock which will be issued in the future from time to time to those of the Company's selling security holders that are holders of Class B Units of Verb Acquisition under an exchange agreement among the holders of Class B Units pursuant to which the holders of Class B Units may exchange their Class B Units for shares of the Company's Common Stock on a one-for-one basis.

Payment of Note Payable

In October 2020, the Company paid in full the note payable of \$1,885,000 issued in September 2020 for the acquisition of SoloFire (see Note 3 and 8).

ITEM 2 – MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Forward-Looking Statements

The following discussion and analysis of the results of operations and financial condition of our company for the three-month period ended September 30, 2020 and 2019, should be read in conjunction with the financial statements and related notes and the other financial information that are included elsewhere in this Quarterly Report on Form 10-Q. This discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations, and intentions. Forward-looking statements are statements not based on historical fact and which relate to future operations, strategies, financial results, or other developments. Forward-looking statements are based upon estimates, forecasts, and assumptions that are inherently subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to business decisions, are subject to change. These uncertainties and contingencies can cause actual results to differ materially from those expressed in any forward-looking statements made by us, or on our behalf. We disclaim any obligation to update forward-looking statements. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. We use words such as “anticipate,” “estimate,” “plan,” “project,” “continuing,” “ongoing,” “expect,” “believe,” “intend,” “may,” “will,” “should,” “could,” and similar expressions to identify forward-looking statements.

As used in this Quarterly Report on Form 10-Q, the terms “we,” “us,” “our,” and “Verb” refer to Verb Technology Company, Inc., a Nevada corporation, individually, or as the context requires, collectively with its subsidiary, Verb Direct, LLC, or Verb Direct, on a consolidated basis, unless otherwise specified.

Overview

We are a Software-as-a-Service, or SaaS, applications platform developer. Our platform is comprised of a suite of interactive video-based sales enablement business software products marketed on a subscription basis. Our applications, available in both mobile and desktop versions, are offered as a fully integrated suite, as well as on a standalone basis, and include verbCRM, our Customer Relationship Management application; verbLEARN, our Learning Management System application; and verbLIVE, our Live Stream eCommerce application.

Our Technology

Our suite of applications can be distinguished from other sales enablement applications because our applications utilize our proprietary interactive video technology as the primary means of communication between sales and marketing professionals and their customers and prospects. Moreover, the proprietary data collection and analytics capabilities of our applications inform our users in real time, on their devices, when and for how long their prospects have watched a video, how many times such prospects watched it, and what they clicked-on, which allows our users to focus their time and efforts on ‘hot leads’ or interested prospects rather than on those that have not seen such video or otherwise expressed interest in such content. Users can create their hot lead lists by using familiar, intuitive ‘swipe left/swipe right’ on-screen navigation. Our clients report that these capabilities provide for a much more efficient and effective sales process, resulting in increased sales conversion rates. We developed the proprietary patent-pending interactive video technology, as well as several other patent-issued and patent-pending technologies that serve as the unique foundation for all of our platform applications.

Our Products

verbCRM combines the capabilities of customer relationship management, or CRM, lead-generation, content management, and in-video ecommerce capabilities in an intuitive, yet powerful tool for both inexperienced as well as highly skilled sales professionals. verbCRM allows users to quickly and easily create, distribute, and post videos to which they can add a choice of on-screen clickable icons, which when clicked, allow viewers to respond to the user’s call-to-action in real-time, in the video, while the video is playing, without leaving or stopping the video. For example, our technology allows a prospect or customer to click on a product they see featured in a video and impulse buy it, or to click on a calendar icon in the video to make an appointment with a salesperson, which are among many novel features and functionalities designed to eliminate or reduce friction from the sales process for our users. The verbCRM app is designed to be easy to use and navigate, and takes little time and training for a user to begin using the app effectively. It usually takes less than four minutes for a novice user to create an interactive video from our app. Users can add interactive icons to pre-existing videos, as well as to newly created videos shot with practically any mobile device. verbCRM interactive videos can be distributed via email, text messaging, chat app, or posted to popular social media directly and easily from our app. No software download is required to view Verb interactive videos on virtually any mobile or desktop device, including smart TVs. For the nine months ended September 30, 2020, verbCRM was the primary source of subscription-based SaaS recurring digital revenue.

verbLEARN is an interactive video-based learning management system that incorporates all of the clickable in-video technology featured in our verbCRM application, however adapted for use by educators for video-based education. verbLEARN is used by enterprises seeking to educate a large sales team or a customer base about new products, or elicit feedback about existing products. It also incorporates Verb’s proprietary data collection and analytics capabilities that inform users in real time, when and for how long the viewers watched the video, how many times they watched it, and what they clicked-on, and adds gamification features that enhance the learning aspects of the application. verbLEARN launched in the fourth quarter of 2019, and for the nine months ended September 30, 2020 it was not a significant source of subscription-based SaaS recurring digital revenue because during that period it has been offered to our clients as a free-trial add-on service.

verbLIVE builds on popular video-based platforms such as Facebook Live, Zoom, WebEx, and Go2Meeting, among others, by adding Verb’s proprietary interactive in-video ecommerce capabilities – including an in-video Shopify shopping cart integrated for Shopify account holders - to our own live stream video broadcasting application. verbLIVE is a next-generation live stream platform that allows hosts to utilize a variety of novel sales-driving features, including placing interactive icons on-screen that appear on the screens of all viewers, providing in-video click-to-purchase capabilities for products or services featured in the live video broadcast, in real-time, driving friction-free selling. verbLIVE also provides the host with real-time viewer engagement data and interaction analytics. verbLIVE is entirely browser-based, allowing it to function easily and effectively on all devices without requiring the host or the viewers to download software, and is secured through end-to-end encryption. verbLIVE is currently in final beta-testing, and is expected to launch commercially in December 2020. A mobile app-based version of verbLIVE, with enhanced features, is currently in development and is expected to be released in early first quarter of 2021.

The Verb In-App Eco-System

To more effectively and efficiently monetize our current large user base, we have developed and have begun to deploy in-app purchase capabilities for all verbCRM users. This feature is currently being distributed and deployed as an automatic software update to enterprise client users whose monthly subscription fees and use of the application are paid by their corporate employer, sponsor, or principal. The in-app purchase capability will allow these users to pay for subscriptions directly in the app with their own credit card in order to access upgraded or unlocked verbCRM features and additional functionality within the app.

In addition, these users will have in-app access to our forthcoming “app store” where users can subscribe for third-party apps that are complimentary to verbCRM user demographics, such as specialized expense tracking applications, tax software, among other third-party apps offered directly to our user base on a revenue share basis with the third-party developers. In addition, we are finalizing development and testing of an “Open API” architecture, allowing third-party developers to create specialized apps with features and functionality that integrate seamlessly into our verbCRM application. These will be offered directly to our user base through our verbCRM app store on a revenue-sharing basis.

Verb Partnerships and Integrations

We have completed and deployed the integration of verbLIVE into Salesforce and passed their security review process. In recent weeks we launched a joint marketing campaign with Salesforce to introduce the verbLIVE plug-in functionality to current Salesforce users. A verbCRM sync application for Salesforce users is currently being utilized by at least one of our large enterprise clients and the verbLIVE plug-in is now being offered to all Salesforce users on a monthly subscription fee basis.

We have also completed the integration of verbCRM into systems offered by 17 of the most popular direct sales back-office system providers, such as Direct Scale, Exigo, By Design, Thatcher, Multisoft, Xensoft, and Party Plan. Direct sales back-office systems provide many of the support functions required for direct sales operations, including payroll, customer genealogy management, statistics, rankings, and earnings, among other direct sales financial tracking capabilities. The integration into these back-office providers, facilitated through our own API development, allows single sign-on convenience for users, as well as enhanced data analytics and reporting capabilities for all users. We believe that our integration into these back-end platforms accelerates the adoption of verbCRM by large direct sales enterprises that rely on these systems and as such, we believe this represents a competitive advantage.

We intend to introduce an integration of verbLIVE and verbCORE into Microsoft Outlook before year-end, with a broader scale launch in early first quarter 2021, pursuant to and in accordance with our existing Microsoft partnership agreement. We expect to follow the Microsoft Outlook integration with the integration into other Microsoft Office 365 products.

Non-Digital Products and Services

Historically, we have also provided certain non-digital services to some of our enterprise clients such as printing and fulfillment services. We designed and printed welcome kits and starter kits for their marketing needs and provided fulfillment services, which consisted of managing the preparation, handling and shipping of our client's custom-branded merchandise they use for marketing purposes at conferences and other events. We also managed the fulfillment of our clients' product sample packs that verbCRM users order through the app for automated delivery and tracking to their customers and prospects.

However, on May 20, 2020, we executed a contract with Range Printing, a company in the business of providing enterprise class printing, sample assembly, warehousing, packaging, shipping, and fulfillment services. Pursuant to the contract, through an automated process we have established for this purpose, Range will receive orders for samples and merchandise from us as and when we receive them from our clients and users, and print, assemble, store, package and ship such samples and merchandise on our behalf. The Range contract provides for a revenue share arrangement based upon the specific services to be provided by Range that is designed to maintain our relationship with our clients by continuing to service their non-digital needs, while eliminating the labor and overhead costs associated with the provision of such services by us. The transition to Range Printing is now virtually complete.

Our Market

Our client base consists primarily of multi-national direct sales enterprises to whom we provide white-labeled, client-branded versions of our products. Our clients also include large professional associations, educational institutions, including school districts, auto sales, auto leasing, insurance, real estate, home security, not-for-profits, as well as clients in the health care industry, and the burgeoning CBD industry, among other business sectors. Currently, we provide subscription-based application services to approximately 100 enterprise clients for use in over 60 countries, in over 48 languages, which collectively account for a user base generated through more than 1.6 million downloads of our verbCRM application. Among the new business sectors targeted for this year are pharmaceutical sales, government institutions, small businesses and individual entrepreneurs.

Revenue Generation

We generate revenue from the following sources:

- recurring subscription fees paid by enterprise users and affiliates;
- recurring subscription fees paid by non-enterprise, small business, and individual users;
- recurring subscription fees paid by users who access in-app purchases of various premium services, features, functionality, and upgrades;
- recurring subscription fees paid by users who access in-app purchases of third-party software provider apps in our forthcoming app store;
- recurring subscription fees paid by users of Salesforce and Microsoft among others with whom we have executed partnership agreements, for access to our applications that we either have integrated or intend to integrate into these platforms, including recurring subscription fees paid by users who subscribe to bundled service offerings from these partners and/or their respective value-added resellers;
- recurring subscription fees paid by users for all of the foregoing products and services generated through our recently launched Japan operations;
- recurring subscription fees paid by users generated through our forthcoming reseller and affiliate distribution programs; and
- Fees paid by enterprise clients for non-digital products and services through our Range Printing venture.

Recent Developments

verbLIVE Marketing and Monetization Strategies

Salesforce

verbLIVE is currently available to Salesforce users in the Salesforce App Exchange Marketplace under the Salesforce partner program. For a monthly subscription fee of \$24.99 per user per month, every Salesforce user that subscribes will have the ability to click on their contacts icon in their Salesforce dashboard and from the drop-down menu they will see a verbLIVE icon. By clicking that, Salesforce users will be able to launch their own verbLIVE live stream ecommerce session and invite people to participate directly from their Salesforce contacts list. We worked with Salesforce to develop a marketing campaign to promote verbLIVE within the Salesforce ecosystem that launched on October 1, 2020.

verbLIVE Pre-Sales

As previously disclosed, 17 of our existing clients have signed up for verbLIVE during the pre-launch marketing last quarter. We believe that these corporate clients have a combined potential individual user base of 465,350 users which represent the total addressable market among the existing clients that have already signed on. Historically, our penetration rates among our existing corporate clients vary but on the low end it is approximately 10%. Adopting that 10% rate, we believe that we have the potential to attract 46,000 users to subscribe and pay for verbLIVE. Currently, we charge \$9.99 to \$14.99 per user per month for verbLIVE depending on the features and package for existing verbCRM users, though at launch, we may charge a lower price, including a free trial period. Applying the lower price of \$9.99 per user and a penetration rate of 10% for this analysis, we believe that we could potentially capture approximately \$460,000 of SaaS recurring revenue per month - or approximately \$5.5 million of annual recurring revenue. We are encouraged by the fact that many of these prospective users already have our verbCRM app on their mobile device which allows us to send very targeted marketing messages promoting verbLIVE, including video demonstrations explaining what verbLIVE could do for their business. In addition, our platform is already integrated into many of our clients' back-office providers making adoption for these clients and users much faster and easier. This is a small part of our internal modeling and should not be interpreted by anyone as a guarantee of performance or results. Notwithstanding the foregoing, which is an example only, our current projected usage models forecast far greater numbers than the 10% penetration rates for our existing signed customers, which we projected earlier this year, and much greater numbers still when we add anticipated adoption rates from the as yet untapped market outside our existing business.

Last quarter, we reported that we were working diligently to ramp up capacity before a larger launch to ensure that we do not face service outages from overloaded servers. Notwithstanding these efforts, we may nevertheless experience server overloads as it is difficult to predict the rate of adoption and usage. We now report that we have begun final testing on the platform enhancements that have been designed and built to accommodate tens of thousands of simultaneous live streams, logins, viewers, and interactions on a global basis. Upon satisfactory completion of the testing, we will begin satisfying our existing back-log of current verbCRM users as discussed above.

We also intend to release a new small business-focused version of our interactive video CRM application, that incorporates verbLIVE which we expect to release before year-end. This new application, called verbTEAMS, is designed to appeal to a larger target market than our verbCRM application as it incorporates self-sign-up, self-onboarding, self-configuring, content management system capabilities, user level administrative capabilities, and high quality analytics capabilities in both mobile and desktop platforms that sync with one another. It also has a built-in one-click synch capability with Salesforce. verbTEAMS is designed for small businesses and entrepreneurs with a feature set we believe is highly scalable and unique in the marketplace, that will be very competitive with the most popular CRM systems available today.

We are currently working on another product that will represent an entirely new vertical for our Company that we expect to disclose next quarter.

SoloFire Acquisition

On September 4, 2020 we completed the acquisition of Ascend Certification, LLC, dba SoloFire ("SoloFire"). SoloFire develops and markets leading SaaS-based sales enablement applications for sales representatives of medical device, diagnostics and life sciences companies. SoloFire's platform empowers sales and marketing teams by allowing them to efficiently find, show, share and track regulatory and industry compliant, accurate and up-to-date content. With SoloFire, content can be locally stored, making it accessible without Wi-fi or mobile data, which is often a challenge in hospital environments. The sales tools can be tailored to a company's unique medical products, while creating personalized sales conversations with physicians and other stakeholders. In addition, insights from in-depth analytics capabilities enable sales and marketing teams to identify and replicate the content that most resonates with clients, driving higher conversion rates. We have begun combining VERB's sales enablement solutions, including our interactive video and interactive livestream ecommerce features, with the SoloFire mobile and desktop applications to provide even more powerful tools for this exciting new target market.

Results of Operations

Three Months Ended September 30, 2020 as Compared to the Three Months Ended September 30, 2019

The following is a comparison of our results of operations for the three months ended September 30, 2020 and 2019:

	<u>Three Months Ended September 30, 2020</u> (unaudited)	<u>Three Months Ended September 30, 2019</u> (unaudited)	<u>Change</u>
Revenue			
SaaS recurring subscription revenue	\$ 1,478,000	\$ 953,000	\$ 525,000
Other digital revenue	360,000	485,000	(125,000)
Welcome kits and fulfillment	836,000	1,164,000	(328,000)
Shipping	186,000	271,000	(85,000)
Total revenue	<u>2,860,000</u>	<u>2,873,000</u>	<u>(13,000)</u>
Cost of revenue			
SaaS and other digital	349,000	221,000	128,000
Welcome kits and fulfillment	768,000	990,000	(222,000)
Shipping	188,000	280,000	(92,000)
Total cost of revenue	<u>1,305,000</u>	<u>1,491,000</u>	<u>(186,000)</u>
Gross margin	<u>1,555,000</u>	<u>1,382,000</u>	<u>173,000</u>
Operating expenses:			
Research and development	2,407,000	1,214,000	1,193,000
Depreciation and amortization	388,000	518,000	(130,000)
General and administrative	6,655,000	3,292,000	3,363,000
Total operating expenses	<u>9,450,000</u>	<u>5,024,000</u>	<u>4,426,000</u>
Loss from operations	<u>(7,895,000)</u>	<u>(3,642,000)</u>	<u>(4,253,000)</u>
Other income (expense), net			
Other income / (expense), net	(2,000)	(9,000)	7,000
Financing costs	(248,000)	(1,486,000)	1,238,000
Interest expense - amortization of debt discount	(110,000)	(21,000)	(89,000)
Change in fair value of derivative liability	975,000	2,802,000	(1,827,000)
Debt extinguishment, net	-	(691,000)	691,000
Interest expense	(40,000)	(68,000)	28,000
Total other income (expense), net	<u>575,000</u>	<u>527,000</u>	<u>207,000</u>
Net loss	<u>\$ (7,320,000)</u>	<u>\$ (3,115,000)</u>	<u>\$ (4,205,000)</u>

Revenue

Total revenue for the quarter ended September 30, 2020 and September 30, 2019 was \$2.9 million. While the revenue was flat in total, the mix between digital and non-digital changed. Digital revenue increased \$400,000 offset by a decrease in non-digital revenue of \$413,000.

Total digital revenue for the quarter ended September 30, 2020 was \$1.8 million, compared to \$1.4 million for the quarter ended September 30, 2019. Total digital revenue for the quarter ended September 30, 2020 consisted of subscription-based SaaS recurring revenue associated with our verbCRM, verbLEARN, and SoloFire applications of \$1.5 million and non-subscription-based revenue of \$360,000. Total digital revenue for the quarter ended September 30, 2019 consisted of subscription-based SaaS recurring revenue associated with our verbCRM application of \$953,000 million and non-subscription-based revenue of \$485,000. The increase in our SaaS recurring subscription revenue of \$525,000 is attributed to a net increase of 36 enterprise clients on our platform as of September 30, 2020 versus September 30, 2019, the expansion of our product offering with existing enterprise clients, and the addition of SoloFire.

Total non-digital revenue for the quarter ended September 30, 2020 was \$1.0 million, compared to \$1.4 million for the quarter ended September 30, 2019. Total non-digital revenue for 2020 consisted of revenue generated from printing of welcome kits/starter kits that our clients use for new sales reps, fulfillment of various custom products our clients use for marketing purposes and at conferences of \$836,000; and shipping fees associated with client welcome kits and fulfillment of 186,000. The decrease in non-digital revenue versus 2019 is attributed to a shift in resources from non-digital to SaaS recurring subscription revenue.

The table below sets forth our quarterly revenues from the quarter ended March 31, 2019 through the quarter ended September 30, 2020, which reflects the trend of revenue since our acquisition of Verb Direct in April 2019.

	2019 Quarterly Revenue				2020 Quarterly Revenues		
	Q1	Q2	Q3	Q4	Q1	Q2	Q3
SaaS recurring subscription revenue	\$ 9,000	\$ 858,000	\$ 953,000	\$ 995,000	\$ 1,057,000	\$ 1,274,000	\$ 1,478,000
Other digital revenue	-	596,000	485,000	344,000	400,000	406,000	360,000
Total digital revenue	\$ 9,000	\$ 1,454,000	\$ 1,438,000	\$ 1,339,000	\$ 1,457,000	\$ 1,680,000	\$ 1,838,000
Welcome kits and fulfillment	-	1,784,000	1,164,000	965,000	728,000	713,000	836,000
Shipping	-	495,000	271,000	181,000	169,000	259,000	186,000
Total non-digital revenue	\$ -	\$ 2,279,000	\$ 1,435,000	\$ 1,146,000	\$ 897,000	\$ 972,000	\$ 1,022,000
Grand total	\$ 9,000	\$ 3,733,000	\$ 2,873,000	\$ 2,485,000	\$ 2,354,000	\$ 2,652,000	\$ 2,860,000

Cost of Revenue

Total cost of revenue for the quarter ended September 30, 2020 was \$1.3 million, compared to \$1.5 million for the quarter ended September 30, 2019. The decrease in cost of revenue of \$186,000 is primarily attributed to lower non-digital revenue, offset by an increase digital costs of \$128,000 attributed to additional enterprise customers on the platform and increased users within our existing customer base.

Gross Margin

The shift in resources to our SaaS recurring subscription revenue reflects an increase in gross margin to 54% for the quarter ended September 30, 2020 versus 48% for the quarter ended September 30, 2019. The shift had a material impact as gross margin increased \$173,000 while gross revenue was flat for the quarter ended September 30, 2020 versus September 30, 2019.

Operating Expenses

Research and development expenses were \$2.4 million for the quarter ended September 30, 2020, as compared to \$1.2 million for the quarter ended September 30, 2019. Research and development expenses primarily consisted of fees paid to employees and vendors contracted to perform research projects and develop technology. The increase in research and development is attributed to the development of verbLIVE, plus enhancements to verbCRM and our core platform to facilitate native integrations with Salesforce, Microsoft, and other channel partners.

Depreciation and amortization expenses were \$388,000 for the quarter ended September 30, 2020, as compared to \$518,000 for the quarter ended September 30, 2019. The decrease is primarily attributed to lower amortization expense of intangible assets of \$152,000 for the quarter ended September 30, 2020 versus the quarter ended September 30, 2019. The decrease is attributed to the Company estimating the value of Verb Direct's opening balance sheet for the quarter ended September 30, 2019, while the amortization for the quarter end September 30, 2020 was based on a revised value of the Verb Direct opening balance sheet provided by a third-party expert. This decrease is offset by incremental amortization associated with leasehold improvements related to our corporate headquarters, and other depreciation and amortization attributed to Verb Direct.

General and administrative expenses for the quarter ended quarter ended September 30, 2020 were \$6.7 million, as compared to \$3.3 million for the quarter ended September 30, 2019. The increase in general and administrative expenses is related to an increase in stock compensation expense of \$1.5 million, labor related costs to support growth of \$606,000, SoloFire expenses of \$582,000 primarily driven by retention bonuses, an increase in professional services of \$432,000 primarily attributed to the acquisition of SoloFire, and marketing and promotion of \$232,000.

Other income (expense), net, for the quarter ended September 30, 2020 was \$575,000, which was attributed to a change in the fair value of derivative liability of \$975,000 offset by financing costs of (\$248,000), interest expense for amortization of debt discount of (\$110,000), interest expense of (\$40,000), and other income of (\$2,000). Other income (expense), net, for the quarter ended September 30, 2019 was \$527,000, which was attributed to a change in the fair value of derivative liability of \$2.8 million, offset by financing costs of (\$1,486,000), debt extinguishment of (\$691,000), interest expense of (\$68,000), interest expense for amortization of debt discount of (\$21,000), and other expense of (\$9,000).

Nine months ended September 30, 2020 as Compared to the Nine months ended September 30, 2019

The following is a comparison of our results of operations for the nine months ended September 30, 2020 and 2019:

	<u>Nine months ended September 30, 2020</u>	<u>Nine months ended September 30, 2019</u>	<u>Change</u>
	(unaudited)	(unaudited)	
Revenue			
SaaS recurring subscription revenue	\$ 3,809,000	\$ 1,820,000	\$ 1,989,000
Other digital revenue	1,166,000	1,081,000	85,000
Welcome kits and fulfillment	2,277,000	2,948,000	(671,000)
Shipping	614,000	766,000	(152,000)
Total revenue	<u>7,866,000</u>	<u>6,615,000</u>	<u>1,251,000</u>
Cost of revenue			
SaaS and other digital	843,000	427,000	416,000
Welcome kits and fulfillment	2,106,000	2,375,000	(269,000)
Shipping	554,000	761,000	(207,000)
Total cost of revenue	<u>3,503,000</u>	<u>3,563,000</u>	<u>(60,000)</u>
Gross margin	<u>4,363,000</u>	<u>3,052,000</u>	<u>1,311,000</u>
Operating expenses:			
Research and development	5,308,000	3,113,000	2,195,000
Depreciation and amortization	1,108,000	1,025,000	83,000
General and administrative	14,187,000	8,803,000	5,384,000
Total operating expenses	<u>20,603,000</u>	<u>12,941,000</u>	<u>7,662,000</u>
Loss from operations	<u>(16,240,000)</u>	<u>(9,889,000)</u>	<u>(6,351,000)</u>
Other income (expense), net			
Other income (expense), net	1,000	(10,000)	11,000
Financing costs	(248,000)	(1,625,000)	1,377,000
Interest expense - amortization of debt discount	(384,000)	(1,647,000)	1,263,000
Change in fair value of derivative liability	4,295,000	3,320,000	975,000
Debt extinguishment, net	-	1,536,000	(1,536,000)
Interest expense	(114,000)	(151,000)	37,000
Total other income (expense), net	<u>3,550,000</u>	<u>1,423,000</u>	<u>2,127,000</u>
Net loss	<u>\$ (12,690,000)</u>	<u>\$ (8,466,000)</u>	<u>\$ (4,224,000)</u>

Revenue

Total revenue for the nine months ended September 30, 2020 was \$7.9 million, compared to \$6.6 million for the nine months ended September 30, 2019. The increase in revenue is attributed to revenue generated by Verb Direct (formerly Sound Concepts), our wholly-owned subsidiary that we acquired in April 2019 and revenue we generated together following the merger of the two businesses and the marketing of our then newly combined sales enablement platform. As a result of the acquisition, we currently have four revenue streams: (1) digital subscription-based SaaS recurring revenue associated with verbCRM, verbLEARN, SoloFire; (2) digital non-subscription-based revenue consisting of product sample revenue as well as design fees generated through or in connection with our applications; (3) non-digital revenue generated from printing of welcome kits, which consists of "starter kits" that clients use for new sales reps, and fulfillment of various custom products clients use for marketing purposes and at conferences; and (4) non-digital revenue we generate from shipping fees associated with client welcome kits and fulfillment.

Total digital revenue for the nine months ended September 30, 2020 was \$5.0 million, compared to \$2.9 million for the nine months ended September 30, 2019. Total digital revenue for the nine months ended September 30, 2020 consisted of subscription-based SaaS recurring revenue associated with our verbCRM, verbLEARN, and SoloFire applications of \$3.8 million and non-subscription-based revenue of \$1.2 million.

Total non-digital revenue for the nine months ended September 30, 2020 was \$2.9 million, compared to \$3.7 million for the nine months ended September 30, 2019. Total non-digital revenue for 2020 consisted of revenue generated from printing of welcome kits/starter kits that our clients use for new sales reps, fulfillment of various custom products our clients use for marketing purposes and at conferences of \$2.3 million; and shipping fees associated with client welcome kits and fulfillment of \$614,000.

Cost of Revenue

Total cost of revenue for the nine months ended September 30, 2020 was \$3.5 million, compared to \$3.6 million for the nine months ended September 30, 2019. The decrease in cost of revenue is primarily attributed by lower non-digital revenue for the nine months ended September 30, 2020 versus September 30, 2019 offset by additional enterprise customers on the platform and increased users within our existing customer base.

Gross Margin

The shift in resources to our SaaS recurring subscription revenue reflects an increase in gross margin to 55% for the quarter ended September 30, 2020 versus 46% for the quarter ended September 30, 2019. The shift had a material impact on gross margin as gross margin increased \$1.3 million, while gross revenue increased \$1.3 million for the quarter ended September 30, 2020 versus September 30, 2019.

Operating Expenses

Research and development expenses were \$5.3 million for the nine months ended September 30, 2020, as compared to \$3.1 million for the nine months ended September 30, 2019. Research and development expenses primarily consisted of fees paid to employees and vendors contracted to perform research projects and develop technology. The increase in research and development is attributed to research and development expenses of Verb Direct, development of verbLIVE, plus enhancements to verbCRM and our core platform to facilitate native integrations with Salesforce, Microsoft, and other channel partners.

Depreciation and amortization expenses were \$1.1 million for the nine months ended September 30, 2020, as compared to \$1.0 million for the nine months ended September 30, 2019. The increase is associated with an additional three months of amortization related to the intangible asset recorded as part of the acquisition of Verb Direct in April 2019 totaling \$325,000, amortization of SoloFire intangible assets, amortization of leasehold improvements related to our corporate headquarters, other depreciation and amortization attributed to Verb Direct, offset by lower amortization of intangible assets for the quarter ended September 30, 2020 versus the quarter ended September 30, 2019 due to the change in the value of the Verb Direct's opening balance sheet.

General and administrative expenses for the nine months ended September 30, 2020 were \$14.2 million, as compared to \$8.8 million for the nine months ended September 30, 2019. The increase in general and administrative expenses is primarily related to general and administration expenses attributed to an increase in stock compensation expense of \$1.9 million, labor related costs to support growth of \$1.1 million, Verb Direct of \$950,000, expenses from SoloFire of \$582,000 primarily driven by retention bonuses, professional services of \$507,000 primarily attributed to the SoloFire, marketing and promotion of \$307,000, and increased facility costs associated with our corporate headquarters of \$174,000.

Other income (expense), net, for the nine months ended September 30, 2020 was \$3.6 million, which was attributed to a change in the fair value of derivative liability of \$4.3 million and other income (expense), net of \$1,000, offset by interest expense for amortization of debt discount of (\$384,000), financing costs of (\$248,000), and interest expense of (\$114,000). Other income (expense), net, for the nine months ended September 30, 2019 was \$1.4 million, which was attributed to a change in the fair value of derivative liability of \$3.3 million, debt extinguishment of \$1.5 million, offset by interest expense for amortization of debt discount of (\$1.6) million, financing costs of (\$1.6) million, interest expense of (\$151,000), and other income (expense), net of (\$10,000).

Modified EBITDA

In addition to our GAAP results, we present modified EBITDA as a supplemental measure of our performance. However, modified EBITDA is not a recognized measurement under GAAP and should not be considered as an alternative to net income, income from operations or any other performance measure derived in accordance with GAAP or as an alternative to cash flow from operating activities as a measure of liquidity. We define modified EBITDA as net income (loss), plus interest expense, depreciation and amortization, stock-based compensation, financing costs, changes in fair value of derivative liability, and other (income) / expense, net.

Management considers our core operating performance to be that which our managers can affect in any particular period through their management of the resources that affect our underlying revenue and profit generating operations that period. Non-GAAP adjustments to our results prepared in accordance with GAAP are itemized below. Readers are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating modified EBITDA, readers should be aware that in the future we may incur expenses that are the same as or similar to some of the adjustments in this presentation. Our presentation of modified EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

	<i>For the Three Months Ended</i>		<i>For the Nine months ended</i>	
	<u>September 30, 2020</u>	<u>September 30, 2019</u>	<u>September 30, 2020</u>	<u>September 30, 2019</u>
Net loss	\$ (7,320,000)	\$ (3,115,000)	\$ (12,690,000)	\$ (8,466,000)
Adjustments:				
Other (income) / expense, net	2,000	9,000	(1,000)	10,000
Stock compensation expense	2,244,000	792,000	4,796,000	2,880,000
Financing costs	248,000	1,486,000	248,000	1,625,000
Amortization of debt discount	110,000	21,000	384,000	1,647,000
Change in fair value of derivative liability	(975,000)	(2,802,000)	(4,295,000)	(3,320,000)
Debt extinguishment, net	-	691,000	-	(1,536,000)
Interest expense	40,000	68,000	114,000	151,000
Depreciation and amortization	388,000	518,000	1,108,000	1,025,000
Income tax provision	-	-	-	-
Total EBITDA adjustments	<u>2,057,000</u>	<u>783,000</u>	<u>2,354,000</u>	<u>2,482,000</u>
Modified EBITDA	<u>\$ (5,263,000)</u>	<u>\$ (2,332,000)</u>	<u>\$ (10,336,000)</u>	<u>\$ (5,984,000)</u>

The \$2.9 million decrease in modified EBITDA for the three months ended September 30, 2020 compared to the same period in 2019, resulted from the increase in research and development, expenses related to SoloFire primarily driven by retention bonuses, an increase in professional services primarily attributed to the acquisition of SoloFire, labor related costs to support growth, and marketing and promotion, offset by higher margin attributed to an increase in digital revenue offset by lower non-digital revenue.

The \$4.4 million decrease in modified EBITDA for the nine months ended September 30, 2020 compared to the same period in 2019, resulted from increased research and development, expenses related to SoloFire primarily driven by retention bonuses, an increase in professional services primarily attributed to the acquisition of SoloFire, labor related costs to support growth, marketing and promotion, increased facility costs associated with our corporate headquarters, and nine months of Verb Direct general and administrative expenses for 2020 versus the six months of Verb Direct results in 2019, offset by an increase in gross margin.

We present modified EBITDA because we believe it assists investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use modified EBITDA in developing our internal budgets, forecasts, and strategic plan; in analyzing the effectiveness of our business strategies in evaluating potential acquisitions; and in making compensation decisions and in communications with our board of directors concerning our financial performance. Modified EBITDA has limitations as an analytical tool, which includes, among others, the following:

- Modified EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- Modified EBITDA does not reflect changes in, or cash requirements for, our working capital needs;
- Modified EBITDA does not reflect future interest expense, or the cash requirements necessary to service interest or principal payments, on our debts; and
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and the Modified EBITDA does not reflect any cash requirements for such replacements.

Liquidity and Capital Resources

Going Concern

We have incurred operating losses and negative cash flows from operations since inception. We incurred a net loss of \$12.7 million during the nine months ended September 30, 2020. We also utilized cash in operations of \$9.8 million during the nine months ended September 30, 2020. As a result, our continuation as a going concern is dependent on our ability to obtain additional financing until we can generate sufficient cash flows from operations to meet our obligations. We intend to continue to seek additional debt or equity financing to continue our operations.

Our consolidated financial statements have been prepared on a going concern basis, which implies we may not continue to meet our obligations and continue our operations for the next twelve months. Our continuation as a going concern is dependent upon our ability to obtain necessary debt or equity financing to continue operations until we begin generating positive cash flow. In addition, our independent registered public accounting firm, in its report on our December 31, 2019 consolidated financial statements, has raised substantial doubt about our ability to continue as a going concern.

There is no assurance that we will ever be profitable or that debt or equity financing will be available to us in the amounts, on terms, and at times deemed acceptable to us, if at all. The issuance of additional equity securities by us would result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, would increase our liabilities and future cash commitments. If we are unable to obtain financing in the amounts and on terms deemed acceptable to us, we may be unable to continue our business, as planned, and as a result may be required to scale back or cease operations for our business, the results of which would be that our stockholders would lose some or all of their investment. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should we be unable to continue as a going concern.

Overview

As of September 30, 2020, we had cash of \$10.7 million. We are in the early stages of our business. We are required to fund growth from financing activities, and we intend to rely on a combination of equity and debt financings. Due to market conditions and the early stage of our operations, there is considerable risk that we will not be able to raise such financings at all, or on terms that are not dilutive to our existing stockholders. We can offer no assurance that we will be able to raise such funds. If we are unable to raise the funds we require for all of our planned operations, we may be forced to reallocate funds from other planned uses and may suffer a significant negative effect on our business plan and operations, including our ability to develop new products and continue our current operations. As a result, our business may suffer, and we may be forced to reduce or discontinue operations.

Cash Flows – Operating

For the nine months ended September 30, 2020, our cash flows used in operating activities amounted to \$9.8 million, compared to cash used for the nine months ended September 30, 2019 of \$6.5 million. The change is attributed to the growth of the business, product development, inclusion of Verb Direct and SoloFire operating expenses, professional services, and a change in prepaid expenses of (\$212,000) compared to September 30, 2019, offset by an increase in gross margin, a change in accounts receivable of \$430,000, deferred revenue and customer deposits of \$364,000, compared to September 30, 2019.

Cash Flows – Investing

For the nine months ended September 30, 2020, our cash flows used from investing activities amounted to \$88,000 compared to the cash used for the nine months ended September 30, 2019 of \$14.6 million. The change is attributed to the purchase of Verb Direct (formerly Sound Concepts) in April 2019 offset by fixed asset purchases associated with our new corporate headquarters in Newport Beach, California and cash received of \$229,000 related to the acquisition of SoloFire in September 2020.

Cash Flows – Financing

Our cash provided by financing activities for the nine months ended September 30, 2020 amounted to \$19.6 million, which represented \$16.8 million of net proceeds from the issuance of shares of our common stock, proceeds from warrant exercises of \$2.2 million, a paycheck protection program loan of \$1.2 million, advances on future receipts of \$728,000, and an economic injury disaster loan of \$150,000, all offset by \$1,424,000 of payments against advance on future receipts. Our cash provided by financing activities for the nine months ended September 30, 2019 amounted to \$22.3 million, which represented \$18.5 million of net proceeds from the issuance of shares of our Common Stock, \$4.7 million of net proceeds from the issuance of shares of our Series A Preferred Stock, \$1.3 million of proceeds from notes payable, \$432,000 of proceeds from the issuance of convertible debt, \$58,000 of unsecured related party debt, and \$45,000 of proceeds from warrant exercises, partially offset by \$2.0 million paid in connection with convertible notes outstanding, \$630,000 paid in connection with notes outstanding, and \$58,000 paid in connection with related party notes outstanding.

Notes Payable – Related Parties

We have the following outstanding notes payable to related parties as of September 30, 2020:

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at September 30, 2020
Note 1 (A)	December 1, 2015	February 8, 2021	12.0%	\$ 1,249,000	\$ 825,000
Note 2 (B)	December 1, 2015	April 1, 2017	12.0%	112,000	112,000
Note 3 (C)	April 4, 2016	June 4, 2021	12.0%	343,000	240,000
Total notes payable – related parties					1,177,000
Non-current					-
Current					\$ 1,177,000

(A) On December 1, 2015, we issued a convertible note payable to Rory J. Cutaia, our Chief Executive Officer and then-majority stockholder, to consolidate all loans and advances made by Mr. Cutaia to our company as of that date. The note bears interest at a rate of 12% per annum, is secured by our assets, and will mature on February 8, 2021, as amended.

(B) On December 1, 2015, we issued a note payable to a former member of our board of directors, in the amount of \$112,000 representing unpaid consulting fees as of November 30, 2015. The note is unsecured, bears interest rate of 12% per annum, and matured in April 2017. As of September 30, 2020, the outstanding principal balance of the note was \$112,000.

(C) On April 4, 2016, we issued a convertible note to Mr. Cutaia, in the amount of \$343,000, to consolidate all advances made by Mr. Cutaia to our company during the period December 2015 through March 2016. The note, as amended, bears interest at a rate of 12% per annum, is secured by our assets, and will mature on June 4, 2021.

Deferred Incentive Compensation

Note	Issuance Date	Maturity Date	Balance at September 30, 2020
Rory J. Cutaia (A)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	\$ 430,000
Rory J. Cutaia (B)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	324,000
Jeff Clayborne (A)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	125,000
Jeff Clayborne (B)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	163,000
Total deferred compensation payable – related parties, net			1,042,000
Non-current			(521,000)
Current			\$ 521,000

(A) On December 23, 2019, we awarded Rory Cutaia, our Chief Executive Officer, and Jeff Clayborne, our Chief Financial Officer, annual incentive compensation of \$430,000 and \$125,000, respectively, for services rendered. We have determined that it is in our best interest and in the best interest of our stockholders to defer payments to Messrs. Cutaia and Clayborne. We will pay 50% of the annual incentive compensation on January 10, 2021 and the remaining 50% on January 10, 2022.

(B) On December 23, 2019, we awarded Rory Cutaia, our Chief Executive Officer, and Jeff Clayborne, our Chief Financial Officer, a bonus for the successful up-listing to The Nasdaq Capital Market and the acquisition of Verb Direct totaling \$324,000 and \$162,000, respectively. We have determined that it is in our best interest and in the best interest of our stockholders to defer payments to Messrs. Cutaia and Clayborne. We will pay 50% of these awards on January 10, 2021 and the remaining 50% on January 10, 2022.

Advance on Future Receipts

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at September 30, 2020
Note 3 (A)	June 30, 2020	February 25, 2020	10%	\$ 506,000	\$ 297,000
Note 4 (A)	June 30, 2020	February 25, 2020	10%	506,000	297,000
Total				\$ 1,012,000	594,000
Debt discount					(176,000)
Net					\$ 418,000

(A) On June 30, 2019, we received two secured advances from an unaffiliated third party totaling \$727,000 for the purchase of future receipts/revenues of \$1,012,000. Pursuant to the terms of the agreement the unaffiliated third-party will auto withdraw an aggregate of \$6,000 from our operating account each banking day. The term of the agreement extends until the advances are paid in full. We may pay off either note for \$446,000 if paid within 30 days of funding; for \$465,000 if paid between 31 and 60 days of funding; or for \$484,000 if paid within 61 to 90 days of funding.

Notes Payable

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at September 30, 2020
Note A	April 17, 2020	April 17, 2022	1.00%	\$ 1,218,000	\$ 1,218,000
Note B	May 15, 2020	May 15, 2050	3.75%	150,000	150,000
Note C	May 1, 2020	May 1, 2022	3.75%	90,000	90,000
Note D	September 4, 2020	October 1, 2020	0.14%	1,982,000	1,885,000
Total notes payable				3,440,000	3,343,000
Non-current				1,458,000	1,458,000
Current				\$ 1,982,000	\$ 1,885,000

(A) On April 17, 2020, the Company received loan proceeds in the amount of \$1,218,000 under the Paycheck Protection Program (“PPP”). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (“CARES Act”), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loan and accrued interest are forgivable after the earlier of (i) 24 weeks after the loan disbursement date and (ii) December 31, 2020 as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Company to be ineligible for forgiveness of the loan, in whole or in part.

(B) On May 15, 2020, the Company executed an unsecured loan with the U.S. Small Business Administration under the Economic Injury Disaster Loan program in the aggregate principal of \$150,000, in exchange for net proceeds of \$149,900. \$100 of financing costs is included in the original principal amount. The loan is unsecured and payable over 30 years at an interest rate of 3.75%. Installment payments, including principal and interest, will begin on May 15, 2021.

(C) On May 1, 2020, SoloFire received loan proceeds in the amount of \$90,000 under the PPP. The loan and accrued interest are forgivable after the earlier of (i) 24 weeks after the loan disbursement date and (ii) December 31, 2020 as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Company to be ineligible for forgiveness of the loan, in whole or in part. As for the potential loan forgiveness, once the PPP loan is, in part or wholly, forgiven and a legal release is received, the liability would be reduced by the amount forgiven and a gain on extinguishment would be recorded. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The Company was in compliance with the terms of the PPP loan as of September 30, 2020.

(D) On September 4, 2020, Verb Acquisition Co, LLC issued a note payable to the owners of SoloFire, in the amount of \$1,982,000, as part of the consideration related to the acquisition of SoloFire. The note bears interest at a rate of 0.14% per annum, with a maturity date of October 1, 2020.

Effective September 30, 2020, the note was amended to \$1,885,000 to account for contractual working capital adjustments. All other terms remain the same. On October 1, 2020 Verb Acquisition Co., LLC paid off the note in full.

Critical Accounting Policies

Our financial statements have been prepared in accordance with accounting principles generally accepted in the United States, which require that we make certain assumptions and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of net revenue and expenses during each reporting period.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported periods. Significant estimates include valuation of derivative liability, valuation of debt and equity instruments, share-based compensation arrangements, and realization of deferred tax assets. Amounts could materially change in the future.

Derivative Financial Instruments

We evaluate our financial instruments to determine if such instruments are derivatives or contain features that qualify as embedded derivatives. For derivative financial instruments that are accounted for as liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the consolidated statements of operations. The classification of derivative instruments, including whether such instruments should be recorded as liabilities or as equity, is evaluated at the end of each reporting period. Derivative instrument liabilities are classified in the balance sheet as current or non-current based on whether or not net-cash settlement of the derivative instrument could be required within 12 months of the balance sheet date.

We use Level 2 inputs for our valuation methodology for the derivative liabilities as their fair values were determined by using a probability weighted average Black-Scholes-Merton pricing model based on various assumptions. Our derivative liabilities are adjusted to reflect fair value at each period end, with any increase or decrease in the fair value being recorded in results of operations as adjustments to fair value of derivatives.

Share-Based Payments

We account for share-based awards to employees and nonemployee directors and consultants in accordance with the provisions of ASC 718, Compensation-Stock Compensation, and under the recently issued guidance following FASB's pronouncement, ASU 2018-07, Compensation-Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting. Under ASC 718, and applicable updates adopted, share-based awards are valued at fair value on the date of grant and that fair value is recognized over the requisite service, or vesting, period. We value our equity awards using the Black-Scholes option pricing model, and account for forfeitures when they occur.

Use of the Black-Scholes option pricing model requires the input of subjective assumptions including expected volatility, expected term, and a risk-free interest rate. We estimate volatility using a blend of our own historical stock price volatility as well as that of market comparable entities since our common stock has limited trading history and limited observable volatility of its own. The expected term of the options is estimated by using the Securities and Exchange Commission Staff Bulletin No. 107's Simplified Method for Estimate Expected Term. The risk-free interest rate is estimated using comparable published federal funds rates.

Goodwill

In accordance with FASB ASC Topic No. 350, Intangibles-Goodwill and Other, we review the recoverability of the carrying value of goodwill at least annually or whenever events or circumstances indicate a potential impairment. Our impairment testing will be done annually at December 31 (our fiscal year end). Recoverability of goodwill is determined by comparing the fair value of our reporting units to the carrying value of the underlying net assets in the reporting units. If the fair value of a reporting unit is determined to be less than the carrying value of its net assets, goodwill is deemed impaired and an impairment loss is recognized to the extent that the carrying value of goodwill exceeds the difference between the fair value of the reporting unit and the fair value of its other assets and liabilities.

Intangible Assets with Finite Useful Lives

We have certain finite lived intangible assets that were initially recorded at their fair value at the time of acquisition. These intangible assets consist of developed technology. Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful life of five years.

We review all finite lived intangible assets for impairment when circumstances indicate that their carrying values may not be recoverable. If the carrying value of an asset group is not recoverable, we recognize an impairment loss for the excess carrying value over the fair value in our consolidated statements of operations.

Recently Issued Accounting Pronouncements

For a summary of our recent accounting policies, refer to Note 2, *Summary of Significant Accounting Policies*, of our unaudited condensed consolidated financial statements included under Item 1 – Financial Statements in this Form 10-Q.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be disclosed in our reports under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this Quarterly Report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were not effective as of September 30, 2020.

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) and 15d-15(f) under the Exchange Act) during the three and nine months ended September 30, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

Management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control systems are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in a cost-effective control system, no evaluation of internal control over financial reporting can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been or will be detected.

These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of a simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

On April 24, 2018, EMA Financial, LLC, or EMA, commenced an action against us, styled as EMA Financial, LLC, a New York limited liability company, Plaintiff, against nFUSZ, Inc., Defendant, United States District Court, Southern District of New York, case number 1:18-cv-03634-NRB. The complaint sets forth four causes of action and seeks money damages, injunctive relief, liquidated damages, and declaratory relief related to our refusal to agree to EMA's interpretation of a cashless exercise provision in a common stock warrant we granted to EMA in December 2017. We interposed several counterclaims, including a claim for reformation of the underlying agreements to reflect our interpretation of the cashless exercise provision. Both parties moved for summary judgment. On March 16, 2020, the United States District Court entered a decision agreeing with our position, denying EMA's motion for declaratory judgment on its interpretation of the cashless exercise formula, and stating, *inter alia*, that "the Agreements read in their entirety reveal that nFUSZ, Inc.'s position regarding the proper cashless exercise formula is the only sensible one and that the cashless exercise formula must be enforced accordingly." The court went on to order that in light of this finding, the parties should submit a proposal for future proceedings. Accordingly, we have instructed our counsel to prosecute our claims for reimbursement of all of the costs we incurred in connection with this action, including all attorneys' fees as well as all damages we incurred as a result of EMA's conduct.

We are currently in a dispute with a former employee of our predecessor bBooth, Inc. who has interposed a breach of contract claim in which he alleges that he is entitled to approximately \$300,000 in unpaid bonus compensation from 2015. We do not believe his claims have any merit as they are contradicted by documentary evidence, and barred by the applicable statute of limitations, and barred by a release executed by the former employee when we purchased all of his shares of stock more than 4 years ago in January 2016. We intend to seek dismissal of the former employee's claims.

On July 9, 2019, a purported class action complaint was filed in the United States District Court, Central District of California, styled *SCOTT C. HARTMANN, Individually and on Behalf of All Others Similarly Situated, Plaintiff, v. VERB TECHNOLOGY COMPANY, INC., and RORY J. CUTAIA, Defendant, Case Number 2:19-CV-05896*. The complaint purports to be brought on behalf of a class of persons or entities who purchased or otherwise acquired our common stock between January 3, 2018 and May 2, 2018, and alleges violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, arising out of the January 3, 2018, announcement by us of our agreement with Oracle America, Inc. The complaint seeks unspecified costs and damages. We believe the complaint is without merit.

On May 15, 2020, we executed a binding Memorandum of Understanding with the lead plaintiff in the class action lawsuit to settle that action and release the claims asserted therein. The terms of the settlement are confidential pending submission to the court, and subject to several contingencies, including but not limited to court approval. We have established an appropriate reserve to account for the settlement.

By Order dated October 27, 2020, the court granted preliminary approval of the class action settlement.

On September 27, 2019, a derivative action was filed in the United States District Court, Central District of California, styled *Richard Moore, Individually and on Behalf of All Others Similarly Situated, Plaintiff, v. Verb Technology Company, Inc., and Rory J. Cutaia, James P. Geiskopf, and Jeff Clayborne, Defendants, Case Number 2:19-CV-08393-AB-SS*. The derivative action also arises out of the January 3, 2018, announcement by us of our agreement with Oracle America, Inc. The derivative action alleges claims for breach of fiduciary duty, unjust enrichment, and waste of corporate assets due to the costs associated with the defense of the above referenced class action complaint. The derivative complaint seeks a declaration that the individual defendants have breached their duties, unspecified damages, and certain purportedly remedial measures. We contend that the class action is without merit and as such, this derivative action, upon which it relies, is likewise without merit.

On November 5, 2020, we executed a binding settlement term sheet with the lead plaintiff in the derivative action to settle that action and release all claims asserted therein. The terms of the settlement are confidential pending submission to the court, and subject to several contingencies, including but not limited to court approval.

We know of no other material pending legal proceedings to which we or any of our subsidiaries is a party or to which any of our assets or properties, or the assets or properties of any of our subsidiaries, are subject and, to the best of our knowledge, no adverse legal activity is anticipated or threatened. In addition, we do not know of any such proceedings contemplated by any governmental authorities.

We know of no material proceedings in which any of our directors, officers, or affiliates, or any registered or beneficial stockholder is a party adverse to us or any of our subsidiaries or has a material interest adverse to us or any of our subsidiaries.

We believe we have adequately reserved for all litigation within our financial statements.

ITEM 1A – RISK FACTORS

You should carefully consider the risks described below before deciding whether to invest in our common stock. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently believe are immaterial may also impair our business operations and financial results. If any of the following risks actually occurs, our business, financial condition or results of operations could be adversely affected. In such case, the trading price of our common stock could decline and you could lose all or part of your investment. Our filings with the SEC also contain forward-looking statements that involve risks or uncertainties. Our actual results could differ materially from those anticipated or contemplated by these forward-looking statements as a result of a number of factors, including the risks we face described below, as well as other variables that could affect our operating results. Past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

Risks Related to Our Business

We have incurred significant net losses and cannot assure you that we will achieve or maintain profitable operations.

To date, we have incurred recurring losses since inception. Our net loss was \$12,690,000 for the nine months ended September 30, 2020, \$15,918,000 for the year ended December 31, 2019, and \$12,127,000 for the year ended December 31, 2018. We may continue to incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications, and delays, and other unknown events.

We anticipate that our operating expenses will increase substantially in the foreseeable future as we undertake increased technology and production efforts to support our business and increase our marketing and sales efforts to drive an increase in the number of customers and clients utilizing our services. These expenditures may make it more difficult to achieve and maintain profitability. In addition, our efforts to grow our business may be more expensive than we expect, and we may not be able to generate sufficient revenue to offset increased operating expenses. If we are forced to reduce our expenses, our growth strategy could be compromised. To offset these anticipated increased operating expenses, we will need to generate and sustain significant revenue levels in future periods in order to become profitable, and, even if we do, we may not be able to maintain or increase our level of profitability.

Accordingly, we cannot assure you that we will achieve sustainable operating profits as we continue to expand our infrastructure, restructure our balance sheet, further develop our marketing efforts, and otherwise implement our growth initiatives. Any failure to achieve and maintain profitability would have a materially adverse effect on our ability to implement our business plan, our results and operations, and our financial condition, and could cause the value of our common stock, to decline, resulting in a significant or complete loss of your investment.

Our independent registered public accounting firm’s reports for the fiscal years ended December 31, 2019 and 2018 have raised substantial doubt as to our ability to continue as a “going concern.”

Our independent registered public accounting firm indicated in its report on our audited consolidated financial statements as of and for the years ended December 31, 2019 and 2018 that there is substantial doubt about our ability to continue as a going concern. A “going concern” opinion indicates that the financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that may result if we do not continue as a going concern. Therefore, you should not rely on our consolidated balance sheet as an indication of the amount of proceeds that would be available to satisfy claims of creditors, and potentially be available for distribution to stockholders, in the event of liquidation. The presence of the going concern note to our financial statements may have an adverse impact on the relationships we are developing and plan to develop with third parties as we continue the commercialization of our products and could make it challenging and difficult for us to raise additional financing, all of which could have a material adverse impact on our business and prospects and result in a significant or complete loss of your investment.

There is no assurance that we will ever be profitable or that debt or equity financing will be available to us in the amounts, on terms, and at times deemed acceptable to us, if at all. The issuance of additional equity securities by us would result in a significant dilution in the equity interests of our current stockholders. Obtaining commercial loans, assuming those loans would be available, would increase our liabilities and future cash commitments. If we are unable to obtain financing in the amounts and on terms deemed acceptable to us, we may be unable to continue our business, as planned, and as a result may be required to scale back or cease operations for our business, the results of which would be that our stockholders would lose some or all of their investment. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should we be unable to continue as a going concern.

We have identified material weakness in our internal control over financial reporting which have, and in the future could, if not remediated, result in material misstatements in our financial statements.

Our management is responsible for establishing and maintaining adequate internal controls over our financial reporting, as defined in Rule 13a-15(f) and 15d-15(f) under the Securities Exchange Act. As disclosed in Item 9A of Part II of our Annual Report filed with the Securities and Exchange Commission on May 14, 2020, we identified two material weaknesses in our internal control over financial reporting related to inadequate segregation of duties and effective risk assessment and to insufficient staffing resources in connection with our financial statement closing processes. A material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis. As a result of these material weaknesses, our management concluded that our internal control over financial reporting was not effective as of the last day of the period covered by this report.

We are actively engaged in developing a remediation plan designed to address these material weaknesses. We have taken, and continue to take, the actions discussed in this report to remediate the identified material weaknesses. As we continue to evaluate and work to improve our internal controls over financial reporting, our senior management may determine to take additional measures to address control deficiencies or modify the remediation efforts described in this report. While the Audit Committee and senior management are closely monitoring the implementation, until the remediation efforts discussed in this report, including any additional remediation efforts that our senior management identifies as necessary, are completed, tested, and determined effective, the material weaknesses described in this report could continue to exist. If in the future, the measures are insufficient to address the material weaknesses or if additional material weaknesses or significant deficiencies in our internal controls are discovered or occur in the future, the consolidated financial statements may contain material misstatements and we could be required to restate our financial results, which could materially and adversely affect our business and results of operations or financial condition, restrict our ability to access the capital markets, require us to expend significant resources to correct the weaknesses or deficiencies, subject us to fines, penalties or judgments, harm our reputation or otherwise cause a decline in investor confidence.

The recent outbreak of COVID-19 may have a significant negative impact on our business, sales, results of operations and financial condition.

The global outbreak of COVID-19 has led to severe disruptions in general economic activities, as businesses and federal, state, and local governments take increasingly broad actions to mitigate this public health crisis. We have experienced disruption to our business, both in terms of disruption of our operations and the adverse effect on overall economic conditions. These conditions will significantly negatively impact all aspects of our business. Our business is dependent on the continued health and productivity of our employees, including our software engineers, sales staff and corporate management team. Individually and collectively, the consequences of the COVID-19 outbreak could have a material adverse effect on our business, sales, results of operations and financial condition.

Additionally, our liquidity could be negatively impacted if these conditions continue for a significant period of time and we may be required to pursue additional sources of financing to obtain working capital, maintain appropriate inventory levels, and meet our financial obligations. Currently, capital and credit markets have been disrupted by the crisis and our ability to obtain any required financing is not guaranteed and largely dependent upon evolving market conditions and other factors. Depending on the continued impact of the crisis, further actions may be required to improve our cash position and capital structure.

Furthermore, to protect the health and well-being of our employees and customers, we have implemented work-from-home requirements, made substantial modifications to employee travel policies, and cancelled or shifted marketing and other corporate events to virtual-only formats for the foreseeable future. While we continue to monitor our circumstances and may adjust our current policies as more information and public health guidance become available, these precautionary measures could negatively affect our sales and marketing efforts, delay and lengthen our sales cycles, or create operational or other challenges, any of which could harm our business and results of operations.

In addition, if one or more of our employees or customers becomes ill from COVID-19 and attributes their infection to us, including through exposure at one of our offices, we could be subject to allegations of failure to adequately mitigate the risk of exposure. Such allegations could harm our reputation and expose us to the risks of litigation and liability.

The extent to which the COVID-19 outbreak ultimately impacts our business, sales, results of operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted, including, but not limited to, the duration and spread of the outbreak, its severity, the actions to contain the virus or treat its impact, and how quickly and to what extent normal economic and operating conditions can resume. Even after the COVID-19 outbreak has subsided, we may continue to experience significant impacts to our business as a result of its global economic impact, including any economic downturn or recession that has occurred or may occur in the future.

Our ability to grow and compete in the future will be adversely affected if adequate capital is not available to us or not available on terms favorable to us.

We have limited capital resources. To date, we have financed our operations entirely through equity investments by founders and other investors and the incurrence of debt, and we expect to continue to finance our operations in the same manner in the foreseeable future. Our ability to continue our normal and planned operations, to grow our business, and to compete in our industry will depend on the availability of adequate capital. We cannot assure you that we will be able to obtain additional funding from those or other sources when or in the amounts needed, on acceptable terms, or at all. If we raise capital through the sale of equity, or securities convertible into equity, it would result in dilution to our then-existing stockholders, which could be significant depending on the price at which we may be able to sell our securities. If we raise additional capital through the incurrence of additional indebtedness, we would likely become subject to further covenants restricting our business activities, and holders of debt instruments may have rights and privileges senior to those of our then-existing stockholders. In addition, servicing the interest and principal repayment obligations under debt facilities could divert funds that would otherwise be available to support development of new programs and marketing to current and potential new clients. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce, or eliminate development of new programs or future marketing efforts, or reduce or discontinue our operations. Any of these events could significantly harm our business, financial condition, and prospects.

The success of our business is dependent upon our ability to maintain and expand our customer base and our ability to convince our customers to increase the use of our services and/or platform. If we are unable to expand our customer base and/or the use of our services and/or platform by our customers declines, our business will be harmed.

Our ability to expand and generate revenue depends, in part, on our ability to maintain and expand our relationships with existing customers and convince them to increase their use of our platform. If our customers do not increase their use of our platform, then our revenue may not grow and our results of operations may be harmed. It is difficult to predict customers' usage levels accurately and the loss of customers or reductions in their usage levels may have a negative impact on our business, results of operations, and financial condition. If a significant number of customers cease using, or reduce their usage of, our platform, then we may be required to spend significantly more on sales and marketing than we currently plan to spend in order to maintain or increase revenue. These additional expenditures could adversely affect our business, results of operations, and financial condition. Most of our customers do not have long-term contractual financial commitments to us and, therefore, most of our customers could reduce or cease their use of our platform at any time without penalty or termination charges.

The market in which we operate is intensely competitive and, if we do not compete effectively, our operating results could be harmed.

The market for CRM applications is intensely competitive and rapidly changing, barriers to entry are relatively low, and many of our competitors, including Salesforce.com, Microsoft, Oracle, SAP SE, and Adobe, which collectively account for approximately 41% of industry sales¹, have greater name recognition, longer operating histories, and larger marketing budgets, as well as substantially greater financial, technical, and other resources, than we do. In addition, many of our potential competitors have established marketing relationships and access to larger customer bases, and have major distribution agreements with consultants, system integrators, and resellers. As a result, our competitors may be able to respond more effectively than we can to new or changing opportunities, technologies, standards, or customer requirements. Furthermore, because of these advantages, even if our products and services are more effective than the products and services that our competitors offer, potential customers might accept competitive products and services in lieu of purchasing our products and services. If we do not compete effectively against our current and future competitors, our operating results could be harmed.

1. Forbes.com [www.forbes.com/sites/louiscolombus/2019/06/22/salesforce-now-has-over-19-of-the-crm-market/#7014e4a333a5]

We may not be able to increase the number of our strategic relationships or grow the revenues received from our current strategic relationships.

We have entered into certain strategic relationships with other marketing and CRM platforms, such as Oracle NetSuite and Adobe Market, to incorporate and integrate our interactive video technology and are actively seeking additional strategic relationships. There can be no assurance, however, that these strategic relationships will result in material revenues for us or that we will be able to generate any other meaningful strategic relationships.

We may not be able to develop enhancements and new features to our existing service or acceptable new services that keep pace with technological developments.

If we are unable to develop enhancements to, and new features for, our sales enablement applications that keep pace with rapid technological developments, such as verbLIVE which we plan to introduce during the summer of 2020, our business will be harmed. The success of enhancements, new features, and services depends on several factors, including the timely completion, introduction, and market acceptance of the feature or edition. Failure in this regard may significantly impair our revenue growth or harm our reputation. We may not be successful in either developing these modifications and enhancements or in timely bringing them to market at a competitive price or at all. Furthermore, uncertainties about the timing and nature of new network platforms or technologies, or modifications to existing platforms or technologies, could increase our research and development expenses. Any failure of our service to operate effectively with future network platforms and technologies could reduce the demand for our service, result in customer dissatisfaction, and harm our business.

Our ability to deliver our services is dependent on third party Internet providers.

The Internet's infrastructure is comprised of many different networks and services that, by design, are highly fragmented and distributed. This infrastructure is run by a series of independent, third-party organizations that work together to provide the infrastructure and supporting services of the Internet under the governance of the Internet Corporation for Assigned Numbers and Names (ICANN) and the Internet Assigned Numbers Authority (IANA), which is now related to ICANN.

The Internet has experienced, and will continue to experience, a variety of outages and other delays due to damages to portions of its infrastructure, denial-of-service attacks, or related cyber incidents. These scenarios are not under our control and could reduce the availability of the Internet to us or our customers for delivery of our services. Any resulting interruptions in our services or the ability of our customers to access our services could result in a loss of potential or existing customers and harm our business.

Security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

In the ordinary course of our business, we collect and store sensitive data, including intellectual property, our proprietary business information, proprietary business information of our customers, including, credit card and payment information, and personally identifiable information of our customers and employees. The secure processing, maintenance, and transmission of this information is critical to our operations and business strategy. As such, we are subject to federal, state, provincial and foreign laws regarding privacy and protection of data. Some jurisdictions have enacted laws requiring companies to notify individuals of data security breaches involving certain types of personal data and our agreements with certain customers require us to notify them in the event of a security incident. Evolving regulations regarding personal data and personal information, in the European Union and elsewhere, including, but not limited to, the General Data Protection Regulation, which we refer to as GDPR, and the California Consumer Privacy Act of 2018, especially relating to classification of IP addresses, machine identification, location data and other information, may limit or inhibit our ability to operate or expand our business. Such laws and regulations require or may require us or our customers to implement privacy and security policies, permit consumers to access, correct or delete personal information stored or maintained by us or our customers, inform individuals of security incidents that affect their personal information, and, in some cases, obtain consent to use personal information for specified purposes.

We believe that we take reasonable steps to protect the security, integrity and confidentiality of the information we collect, use, store, and disclose, and we take steps to strengthen our security protocols and infrastructure, however, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance, or other disruptions. We also could be negatively impacted by software bugs or other technical malfunctions, as well as employee error or malfeasance. Advanced cyber-attacks can be multi-staged, unfold over time, and utilize a range of attack vectors with military-grade cyber weapons and proven techniques, such as spear phishing and social engineering, leaving organizations and users at high risk of being compromised. Any such access, disclosure, or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, regulatory penalties, a disruption of our operations, damage to our reputation, a loss of confidence in our business, early termination of our contracts and other business losses, indemnification of our customers, liability for stolen assets or information, increased cybersecurity protection and insurance costs, financial penalties, litigation, regulatory investigations and other significant liabilities, any of which could materially harm our business any of which could adversely affect our business, revenues, and competitive position.

Our success depends, in part, on the capacity, reliability, and security of our information technology hardware and software infrastructure, as well as our ability to adapt and expand our infrastructure.

The capacity, reliability, and security of our information technology hardware and software infrastructure are important to the operation of our current business, which would suffer in the event of system failures. Likewise, our ability to expand and update our information technology infrastructure in response to our growth and changing needs is important to the continued implementation of our new service offering initiatives. Our inability to expand or upgrade our technology infrastructure could have adverse consequences, including the delayed provision of services or implementation of new service offerings, and the diversion of development resources. We rely on third parties for various aspects of our hardware and software infrastructure. Third parties may experience errors or disruptions that could adversely impact us and over which we may have limited control. Interruption and/or failure of any of these systems could disrupt our operations and damage our reputation, thus adversely impacting our ability to provide our products and services, retain our current users, and attract new users. In addition, our information technology hardware and software infrastructure may be vulnerable to unauthorized access, misuse, computer viruses, or other events that could have a security impact. If one or more of such events occur, our customer and other information processed and stored in, and transmitted through, our information technology hardware and software infrastructure, or otherwise, could be compromised, which could result in significant losses or reputational damage. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses, any of which could substantially harm our business and our results of operations.

We are dependent on third parties to, among other things, maintain our servers, provide the bandwidth necessary to transmit content, and utilize the content derived therefrom for the potential generation of revenues.

We depend on third-party service providers, suppliers, and licensors to supply some of the services, hardware, software, and operational support necessary to provide some of our products and services. Some of these third parties do not have a long operating history or may not be able to continue to supply the equipment and services we desire in the future. If demand exceeds these vendors' capacity, or if these vendors experience operating or financial difficulties or are otherwise unable to provide the equipment or services we need in a timely manner, at our specifications and at reasonable prices, our ability to provide some products and services might be materially adversely affected, or the need to procure or develop alternative sources of the affected materials or services might delay our ability to serve our users. These events could materially and adversely affect our ability to retain and attract users, and have a material negative impact on our operations, business, financial results, and financial condition.

We may not be able to find suitable software developers at an acceptable cost.

We currently rely on certain key suppliers and vendors in the coding and maintenance of our software. We will continue to require such expertise in the future. Due to the current demand for skilled software developers, we run the risk of not being able to find or retain suitable and qualified personnel at an acceptable price, or at all. Without these developers, we may not be able to further develop and maintain our software, which is the most important aspect of our business development.

The success of our business is highly correlated to general economic conditions.

Demand for our products and services is highly correlated with general economic conditions, as a substantial portion of our revenue is derived from discretionary spending by individuals, which typically declines during times of economic instability. Declines in economic conditions in the United States or in other countries in which we operate, including declines as a result of the COVID-19 pandemic, and may operate in the future may adversely impact our financial results. Because such declines in demand are difficult to predict, we or our industry may have increased excess capacity as a result. An increase in excess capacity may result in declines in prices for our products and services. Our ability to grow or maintain our business may be adversely affected by sustained economic weakness and uncertainty, including the effect of wavering consumer confidence, high unemployment, and other factors. The inability to grow or maintain our business would adversely affect our business, financial conditions, and results of operations, and thereby an investment in our common stock.

Our failure to protect our intellectual property rights could diminish the value of our products, weaken our competitive position and reduce our revenue, and infringement claims asserted against us or by us, could have a material adverse effect.

We regard the protection of our intellectual property, which includes patents, trade secrets, copyrights, trademarks and domain names, as critical to our success. We strive to protect our intellectual property rights by relying on federal, state and common law rights, as well as contractual restrictions. We enter into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with parties with whom we conduct business in order to limit access to, and disclosure and use of, our proprietary information. However, these contractual arrangements and the other steps we have taken to protect our intellectual property may not prevent the misappropriation of our proprietary information or deter independent development of similar technologies by others.

We have two patents related to our system for providing access to, storing and distributing content, and we recently filed a provisional patent application with the U.S. Patent and Trademark Office, or PTO, with respect to our interactive video technology. Our provisional patent application may not result in the issuance of a patent, or certain claims may be rejected or may need to be narrowed, which may limit the protection we are attempting to obtain. In addition, our existing patents and any future patents that may be issued to us, may not protect commercially important aspects of our technology. Furthermore, the validity and enforceability of our patents may be challenged by third parties, which may result in our patents being invalidated or modified by the PTO, various legal actions against us, the need to develop or obtain alternative technology, and/or obtain appropriate licenses under third party patents, which may not be available on acceptable terms or at all.

We have registered domain names and trademarks in the United States and may also pursue additional registrations both in and outside the United States. Effective trade secret, copyright, trademark, domain name and patent protection is expensive to develop and maintain, both in terms of initial and ongoing registration requirements and the costs of defending our rights. We may be required to protect our intellectual property in an increasing number of jurisdictions, a process that is expensive and may not be successful or which we may not pursue in every location.

Monitoring unauthorized use of our intellectual property is difficult and costly. Our efforts to protect our proprietary rights may not be adequate to prevent misappropriation of our intellectual property. Further, we may not be able to detect unauthorized use of, or take appropriate steps to enforce, our intellectual property rights. In addition, our competitors may independently develop similar technology. The laws in the United States and elsewhere change rapidly, and any future changes could adversely affect us and our intellectual property. Our failure to meaningfully protect our intellectual property could result in competitors offering services that incorporate our most technologically advanced features, which could seriously reduce demand for our products. In addition, we may in the future need to initiate infringement claims or litigation. Litigation, whether we are a plaintiff or a defendant, can be expensive, time-consuming and may divert the efforts of our technical staff and managerial personnel, which could harm our business, whether or not such litigation results in a determination that is unfavorable to us. In addition, litigation is inherently uncertain, and thus we may not be able to stop its competitors from infringing upon our intellectual property rights.

Natural disasters and other events beyond our control could materially adversely affect us.

Natural disasters or other catastrophic events may cause damage or disruption to our operations, international commerce and the global economy, and thus could have a strong negative effect on us. Our business operations are subject to interruption by natural disasters, fire, power shortages, pandemics and other events beyond our control. Although we maintain crisis management and disaster response plans, such events could make it difficult or impossible for us to deliver our services to our customers and could decrease demand for our services.

Our future success depends on our key executive officers and our ability to attract, retain, and motivate qualified personnel.

Our future success largely depends upon the continued services of our executive officers and management team, especially our Chief Executive Officer and President, Mr. Rory J. Cutaia. If one or more of our executive officers are unable or unwilling to continue in their present positions, we may not be able to replace them readily, if at all. Additionally, we may incur additional expenses to recruit and retain new executive officers. If any of our executive officers joins a competitor or forms a competing company, we may lose some or all of our customers. Finally, we do not maintain “key person” life insurance on any of our executive officers. Because of these factors, the loss of the services of any of these key persons could adversely affect our business, financial condition, and results of operations, and thereby an investment in our stock.

Our continuing ability to attract and retain highly qualified personnel will also be critical to our success because we will need to hire and retain additional personnel as our business grows. There can be no assurance that we will be able to attract or retain highly qualified personnel. We face significant competition for skilled personnel in our industries. This competition may make it more difficult and expensive to attract, hire, and retain qualified managers and employees. Because of these factors, we may not be able to effectively manage or grow our business, which could adversely affect our financial condition or business. As a result, the value of your investment could be significantly reduced or completely lost.

Risks Related to an Investment in Our Securities

Raising additional capital, including through future sales and issuances of our common stock, or warrants or the exercise of rights to purchase common stock pursuant to our equity incentive plan could result in additional dilution of the percentage ownership of our stockholders, could cause our share price to fall and could restrict our operations.

We expect that significant additional capital will be needed in the future to continue our planned operations, including any potential acquisitions, hiring new personnel and continuing activities as an operating public company. To the extent we seek additional capital through a combination of public and private equity offerings and debt financings, our stockholders may experience substantial dilution. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our existing stockholders may be diluted, and the terms may include liquidation or other preferences that adversely affect the rights of our stockholders. Debt and receivables financings may be coupled with an equity component, such as warrants to purchase shares of our common stock, which could also result in dilution of our existing stockholders’ ownership. The incurrence of indebtedness would result in increased fixed payment obligations and could also result in certain restrictive covenants, such as limitations on our ability to incur additional debt and other operating restrictions that could adversely impact our ability to conduct our business. A failure to obtain adequate funds may cause us to curtail certain operational activities, including sales and marketing, in order to reduce costs and sustain the business, and would have a material adverse effect on our business and financial condition.

In addition, we have granted options to purchase shares of our common stock pursuant to our equity incentive plans and have registered 16,000,000 shares of common stock underlying options and shares granted pursuant to our equity incentive plans. Sales of shares issued upon exercise of options granted under our equity compensation plans may result in material dilution to our existing stockholders, which could cause our price of our common stock to fall.

Our issuance of additional shares of preferred stock could adversely affect the market value of our common stock, dilute the voting power of common stockholders and delay or prevent a change of control.

Our board of directors have the authority to cause us to issue, without any further vote or action by the stockholders, up to an additional 14,994,000 shares of preferred stock in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. As of November 10, 2020, we had 2,406 shares of preferred stock outstanding that are convertible into 2,187,273 shares of common stock.

The issuance of shares of preferred stock with dividend or conversion rights, liquidation preferences or other economic terms favorable to the holders of preferred stock could adversely affect the market price for our common stock by making an investment in the common stock less attractive. For example, investors in the common stock may not wish to purchase common stock at a price above the conversion price of a series of convertible preferred stock because the holders of the preferred stock would effectively be entitled to purchase common stock at the lower conversion price causing economic dilution to the holders of common stock.

Further, the issuance of shares of preferred stock with voting rights may adversely affect the voting power of the holders of our other classes of voting stock either by diluting the voting power of our other classes of voting stock if they vote together as a single class, or by giving the holders of any such preferred stock the right to block an action on which they have a separate class vote even if the action were approved by the holders of our other classes of voting stock. The issuance of shares of preferred stock may also have the effect of delaying, deferring or preventing a change in control of our company without further action by the stockholders, even where stockholders are offered a premium for their shares.

The market price of our common stock has been, and may continue to be, subject to substantial volatility.

The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- volatility in the trading markets generally and in our particular market segment;
- limited trading of our common stock;
- actual or anticipated fluctuations in our results of operations;
- the financial projections we may provide to the public, any changes in those projections, or our failure to meet those projections;
- announcements regarding our business or the business of our customers or competitors;
- changes in accounting standards, policies, guidelines, interpretations, or principles;
- actual or anticipated developments in our business or our competitors' businesses or the competitive landscape generally;
- developments or disputes concerning our intellectual property or our offerings, or third-party proprietary rights;
- announced or completed acquisitions of businesses or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- any major change in our board of directors or management;
- sales of shares of our common stock by us or by our stockholders;
- lawsuits threatened or filed against us; and
- other events or factors, including those resulting from war, incidents of terrorism, pandemics (such as the COVID-19 virus) or responses to these events.

Statements of, or changes in, opinions, ratings, or earnings estimates made by brokerage firms or industry analysts relating to the markets in which we operate or expect to operate could have an adverse effect on the market price of our common stock. In addition, the stock market as a whole, as well as our particular market segment, has from time to time experienced extreme price and volume fluctuations, which may affect the market price for the securities of many companies, and which often have appeared unrelated to the operating performance of such companies. Any of these factors could negatively affect our stockholders' ability to sell their shares of common stock at the time and price they desire.

A decline in the price of our common stock could affect our ability to raise further working capital, which could adversely impact our ability to continue operations.

A prolonged decline in the price of our common stock could result in a reduction in the liquidity of our common stock and a reduction in our ability to raise capital. We may attempt to acquire a significant portion of the funds we need in order to conduct our planned operations through the sale of equity securities; thus, a decline in the price of our common stock could be detrimental to our liquidity and our operations because the decline may adversely affect investors' desire to invest in our securities. If we are unable to raise the funds we require for all of our planned operations, we may be forced to reallocate funds from other planned uses and may suffer a significant negative effect on our business plan and operations, including our ability to develop new products or services and continue our current operations. As a result, our business may suffer, and we may be forced to reduce or discontinue operations. We also might not be able to meet our financial obligations if we cannot raise enough funds through the sale of our common stock and we may be forced to reduce or discontinue operations.

Because we do not intend to pay any cash dividends on our shares of common stock in the near future, our stockholders will not be able to receive a return on their shares unless and until they sell them.

We intend to retain a significant portion of any future earnings to finance the development, operation and expansion of our business. We do not anticipate paying any cash dividends on our common stock in the near future. The declaration, payment, and amount of any future dividends will be made at the discretion of our board of directors, and will depend upon, among other things, the results of operations, cash flows, and financial condition, operating and capital requirements, and other factors as our board of directors considers relevant. There is no assurance that future dividends will be paid, and, if dividends are paid, there is no assurance with respect to the amount of any such dividend. Unless our board of directors determines to pay dividends, our stockholders will be required to look to appreciation of our common stock to realize a gain on their investment. There can be no assurance that this appreciation will occur.

Because our directors and executive officers are among our largest stockholders, they can exert significant control over our business and affairs and have actual or potential interests that may depart from those of investors.

Certain of our executive officers and directors own a significant percentage of our outstanding capital stock. As of the date of this Annual Report, we estimate that our executive officers and directors and their respective affiliates beneficially own approximately 11.8% of our outstanding voting stock as of November 10, 2020. The holdings of our directors and executive officers may increase further in the future upon vesting or other maturation of exercise rights under any of the options or warrants they may hold or in the future be granted, or if they otherwise acquire additional shares of our common stock. The interests of such persons may differ from the interests of our other stockholders. As a result, in addition to their board seats and offices, such persons will have significant influence and control over all corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including the following actions:

- to elect or defeat the election of our directors;
- to amend or prevent amendment to our articles of incorporation or bylaws;
- to effect or prevent a merger, sale of assets or other corporate transaction; and
- to control the outcome of any other matter submitted to our stockholders for a vote.

This concentration of ownership by itself may have the effect of impeding a merger, consolidation, takeover, or other business consolidation, or discouraging a potential acquirer from making a tender offer for our common stock, which in turn could reduce our stock price or prevent our stockholders from realizing a premium over our stock price.

The elimination of monetary liability against our directors, officers, and employees under Nevada law and the existence of indemnification rights for our obligations to our directors, officers, and employees may result in substantial expenditures by us and may discourage lawsuits against our directors, officers, and employees.

Our articles of incorporation and bylaws contain provisions permitting us to eliminate the personal liability of our directors and officers to us and our stockholders for damages for the breach of a fiduciary duty as a director or officer to the extent provided by Nevada law. In addition, we have entered into indemnification agreements with our directors and officers to provide such indemnification rights. We may also have contractual indemnification obligations under any future employment agreements with our officers. The foregoing indemnification obligations could result in us incurring substantial expenditures to cover the cost of settlement or damage awards against directors and officers, which we may be unable to recoup. These provisions and the resulting costs may also discourage us from bringing a lawsuit against directors and officers for breaches of their fiduciary duties and may similarly discourage the filing of derivative litigation by our stockholders against our directors and officers even though such actions, if successful, might otherwise benefit us and our stockholders.

Anti-takeover effects of certain provisions of Nevada state law hinder a potential takeover of us.

Nevada has a business combination law that prohibits certain business combinations between Nevada corporations and “interested stockholders” for three years after an “interested stockholder” first becomes an “interested stockholder,” unless the corporation’s board of directors approves the combination in advance. For purposes of Nevada law, an “interested stockholder” is any person who is (i) the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the outstanding voting shares of the corporation or (ii) an affiliate or associate of the corporation and at any time within the three previous years was the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the then-outstanding shares of the corporation. The definition of the term “business combination” is sufficiently broad to cover virtually any kind of transaction that would allow a potential acquirer to use the corporation’s assets to finance the acquisition or otherwise to benefit its own interests rather than the interests of the corporation and its other stockholders.

The potential effect of Nevada’s business combination law is to discourage parties interested in taking control of us from doing so if these parties cannot obtain the approval of our board of directors. Both of these provisions could limit the price investors would be willing to pay in the future for shares of our common stock.

Our bylaws contain an exclusive forum provision, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers, employees or agents.

Our bylaws provide that, unless we consent in writing to the selection of an alternative forum, the state and federal courts in the State of Nevada shall be the exclusive forum for any litigation relating to our internal affairs, including, without limitation: (a) any derivative action brought on behalf of us, (b) any action asserting a claim for breach of fiduciary duty to us or our stockholders by any current or former officer, director, employee, or agent of us, or (c) any action against us or any current or former officer, director, employee, or agent of us arising pursuant to any provision of the Nevada Revised Statutes, the articles of incorporation, or the bylaws.

For the avoidance of doubt, the exclusive forum provision described above does not apply to any claims arising under the Securities Act of 1933, as amended, or Securities Act, or Exchange Act. Section 27 of the Exchange Act creates exclusive federal jurisdiction over all suits brought to enforce any duty or liability created by the Exchange Act or the rules and regulations thereunder, and Section 22 of the Securities Act creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder.

The choice of forum provision in our bylaws may limit our stockholders’ ability to bring a claim in a judicial forum that they find favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and our directors, officers, employees and agents even though an action, if successful, might benefit our stockholders. The applicable courts may also reach different judgments or results than would other courts, including courts where a stockholder considering an action may be located or would otherwise choose to bring the action, and such judgments or results may be more favorable to us than to our stockholders. With respect to the provision making the state and federal courts in the State of Nevada the sole and exclusive forum for certain types of actions, stockholders who do bring a claim in the state and federal courts in the State of Nevada could face additional litigation costs in pursuing any such claim, particularly if they do not reside in or near Nevada. Finally, if a court were to find this provision of our bylaws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could have a material adverse effect on us.

ITEM 2 - UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On September 11, 2020, the Company announced as required by Nasdaq Listing Rule 5635(c)(4), that the Company's board of directors approved the following inducement grants: stock options to purchase 100,000 shares of the Company's common stock to Steve Deverall, stock options to purchase 100,000 shares of the Company's common stock and a restricted stock award for 247,703 shares of the Company's common stock to Dustin Kenyon, and stock options to purchase 25,000 shares of the Company's common stock to each of Ben Mosbarger, Jason Etherington and Nate Babel. The stock options and restricted stock award were granted on September 4, 2020 pursuant to Nasdaq Listing Rule 5635(c)(4) as an inducement material to their entering into employment with the Company.

The options have an exercise price equal to \$1.36 per share, have a five-year term and vest annually in equal installments over four years on each anniversary of the date of grant. The restricted stock award vests on January 1, 2021. The equity awards are subject to each individual's continued service with the Company through the applicable vesting dates and were issued in reliance on the exemption from registration pursuant to Section 4(a)(2) of the Securities Act of 1933, as amended, in that they were issued by the Company in a transaction not involving any public offering.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 - OTHER INFORMATION

None.

ITEM 6 - EXHIBITS

Reference is made to the exhibits listed on the Index to Exhibits.

INDEX TO EXHIBITS

<u>Exhibit Number</u>	<u>Description</u>
31.1	<u>Certification Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
31.2	<u>Certification Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</u>
32.1	<u>Certification of Principal Executive Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code</u>
32.2	<u>Certification of Principal Financial Officer and Principal Accounting Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code</u>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase

SIGNATURES

Pursuant to the requirements 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.

VERB TECHNOLOGY COMPANY, INC.

Date: November 16, 2020

By: /s/ Rory J. Cutaia

Rory J. Cutaia
President, Chief Executive Officer,
Secretary, and Director
(Principal Executive Officer)

Date: November 16, 2020

By: /s/ Jeffrey Clayborne

Jeffrey Clayborne
Chief Financial Officer
(Principal Accounting Officer)

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Rory J. Cutaia, certify that:

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

November 16, 2020

/s/ Rory Cutaia

Rory Cutaia
President, Secretary, Chief Executive Officer, Director, and Principal Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeffrey Clayborne, certify that:

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

November 16, 2020

/s/ Jeffrey Clayborne

Jeffrey Clayborne
Chief Financial Officer, Principal Financial Officer, and Principal Accounting Officer

**CERTIFICATION PURSUANT TO
SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE**

The undersigned, Rory J. Cutaia, hereby certifies, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, that

1. The Quarterly Report on Form 10-Q of Verb Technology Company, Inc. for the quarterly period ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Verb Technology Company, Inc.

November 16, 2020

/s/ Rory Cutaia

Rory J. Cutaia
President, Secretary, Chief Executive Officer,
Director, and Principal Executive Officer

**CERTIFICATION PURSUANT TO
SECTION 1350 OF CHAPTER 63 OF TITLE 18 OF THE UNITED STATES CODE**

The undersigned, Jeffrey Clayborne, hereby certifies, pursuant to 18 U.S.C. Section 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, that

1. The Quarterly Report on Form 10-Q of Verb Technology Company, Inc. for the quarterly period ended September 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Quarterly Report on Form on 10-Q fairly presents, in all material respects, the financial condition and results of operations of Verb Technology Company, Inc.

November 16, 2020

/s/ Jeffrey Clayborne

Jeffrey Clayborne

Chief Financial Officer, Principal Financial Officer, and Principal Accounting Officer
