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

# FORM 10-Q

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

**For the quarterly period ended June 30, 2023**

**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** | **90-1118043** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **3401 North Thanksgiving Way, Suite 240, Lehi, Utah** | **84043** |
| (Address of principal executive offices) | (Zip Code) |

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

(Former name, former address and former fiscal year, if changed since last report)

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

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|---|---|
| **Common Stock, $0.0001 par value** | **VERB** | **The Nasdaq Stock Market LLC** |
| **Common Stock Purchase Warrants** | **VERBW** | **The Nasdaq Stock Market LLC** |

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

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 | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ | Smaller reporting company | ☒ |
| | | Emerging growth company | ☐ |

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

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

As of August 8, 2023, there were 4,501,340 shares of common stock, $0.0001 par value per share, outstanding.

**VERB TECHNOLOGY COMPANY, INC.**
**TABLE OF CONTENTS**

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q for the three months ended June 30, 2023 (the "Quarterly Report"), includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which statements are subject to considerable risks and uncertainties. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that are not statements of historical facts and can be identified by words such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "seeks," "should," "will," "would" or similar expressions and the negatives of those expressions. Forward-looking statements also include the assumptions underlying or relating to such statements.

Our forward-looking statements are based on our management's current beliefs, assumptions and expectations about future events and trends, which affect or may affect our business, strategy, operations, financial performance or liquidity. Although we believe these forward-looking statements are based upon reasonable assumptions, they are subject to numerous known and unknown risks and uncertainties and are made in light of information currently available to us. Some of the risks and uncertainties that may impact our forward-looking statements include, but are not limited to, the following factors:

● our incursion of significant net losses and uncertainty whether we will achieve or maintain profitable operations;

● our ability to continue as a going concern;

● our ability to grow and compete in the future, which is dependent upon whether capital is available to us on favorable terms;

● 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;

● the competitive market in which we operate;

● our ability to increase the number of our strategic relationships or grow the revenues received from our current strategic relationships;

● our ability to develop enhancements and new features to our existing service or acceptable new services that keep pace with technological developments;

● our ability to successfully launch new product platforms, including MARKET.live, the rate of adoption of these platforms and the revenue generated from these platforms;

● the novel coronavirus ("COVID-19") pandemic, which has had a sustained impact on our business, sales, results of operations and financial condition;

● our ability to deliver our services, as we depend on third party Internet providers;

● our ability to raise additional capital or borrow additional funds to fund our operations and execute our business strategy, and the impact of these transactions on our business and existing stockholders;

● our ability to attract and retain qualified management personnel;

● our ability to pay our debt obligations as they become due;

● our susceptibility to security breaches and other disruptions; and

● global economic, political, and social trends, including inflation, rising interest rates, and recessionary concerns.

The foregoing list may not include all of the risk factors that impact the forward-looking statements made in this Quarterly Report. Our actual financial condition and results could differ materially from those expressed or implied by our forward-looking statements as a result of various additional factors, including those discussed in the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Risk Factors*" in this Quarterly Report and in our Annual Report on Form 10-K for the year ended December 31, 2022 (the "Annual Report"), as well as in the other reports we file with the Securities and Exchange Commission (the "SEC"). You should read this Quarterly Report, and the other documents we file with the SEC, with the understanding that our actual future results may be materially different from the results expressed or implied by our forward-looking statements.

We operate in an evolving environment. New risks and uncertainties emerge from time to time and it is not possible for our management to predict all risks and uncertainties, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual future results to be materially different from those expressed or implied by any forward-looking statements.

Forward-looking statements speak only as of the date they were made, and, except to the extent required by law or the rules of the Nasdaq Capital Market, we undertake no obligation to update or review any forward-looking statement because of new information, future events or other factors.

We qualify all of our forward-looking statements by these cautionary statements.

**PART I — FINANCIAL INFORMATION**

**ITEM 1 – FINANCIAL STATEMENTS**

**VERB TECHNOLOGY COMPANY, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(in thousands, except share and per share data)**

| | June 30, 2023 (unaudited) | December 31, 2022 |
|---|---|---|
| **ASSETS** | | |
| **Current assets** | | |
| Cash | $ 3,526 | $ 2,429 |
| Assets held for sale - current | - | 1,323 |
| Prepaid expenses and other current assets | 238 | 306 |
| Total current assets | 3,764 | 4,058 |
| Assets held for sale – non-current | - | 10,467 |
| Capitalized software development costs, net | 5,122 | 6,176 |
| ERC receivable | 1,528 | 1,528 |
| Property and equipment, net | 449 | 533 |
| Operating lease right-of-use assets | 1,220 | 1,354 |
| Intangible assets, net | 83 | 83 |
| Other assets | 294 | 293 |
| **Total assets** | **$ 12,460** | **$ 24,492** |
| **LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)** | | |
| **Current liabilities** | | |
| Accounts payable | $ 2,786 | $ 3,975 |
| Liabilities related to assets held for sale | - | 2,483 |
| Liabilities of discontinued operations | 898 | 1,641 |
| Accrued expenses | 1,433 | 1,287 |
| Accrued officers' salary | 764 | 764 |
| Notes payable – related party, current | 765 | 765 |
| Notes payable, current | 5,605 | 3,704 |
| Convertible notes payable, current | - | 1,334 |
| Operating lease liabilities, current | 482 | 355 |
| Derivative liability | 16 | 222 |
| Total current liabilities | 12,749 | 16,530 |
| **Long-term liabilities** | | |
| Notes payable, non-current | 150 | 1,215 |
| Operating lease liabilities, non-current | 1,379 | 1,581 |
| Total liabilities | 14,278 | 19,326 |
| Commitments and contingencies (Note 13) | | |
| | - | - |
| **Series B Redeemable Preferred Stock** | | |
| | - | - |
| **Stockholders' equity (deficit)** | | |
| Class A units, 3 shares issued and authorized as of June 30, 2023 and December 31, 2022 | - | - |
| Common stock, $0.0001 par value, 400,000,000 shares authorized, 4,317,561 and 2,918,017 shares issued and outstanding as of June 30, 2023 and December 31, 2022 | 1 | 1 |
| Additional paid-in capital | 167,179 | 158,629 |
| Accumulated deficit | (168,998) | (153,464) |
| **Total stockholders' equity (deficit)** | **(1,818)** | **5,166** |
| **Total liabilities and stockholders' equity (deficit)** | **$ 12,460** | **$ 24,492** |

See accompanying notes to the condensed consolidated financial statements

**VERB TECHNOLOGY COMPANY, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(in thousands, except share and per share data)**
**(unaudited)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2023 | 2022 | 2023 | 2022 |
| **Revenue** | $ 3 | $ - | $ 5 | $ - |
| **Cost of revenue** | 1 | - | 2 | - |
| Gross margin | 2 | - | 3 | - |
| **Operating expenses** | | | | |
| Depreciation and amortization | 583 | 44 | 1,166 | 86 |
| General and administrative | 2,685 | 4,760 | 6,230 | 9,893 |
| Total operating expenses | 3,268 | 4,804 | 7,396 | 9,979 |
| Operating loss from continuing operations | (3,266) | (4,804) | (7,393) | (9,979) |
| **Other income (expense)** | | | | |
| Other income (expense), net | 831 | 19 | 780 | (16) |
| Financing costs | (1,239) | - | (1,239) | - |
| Interest expense | (299) | (368) | (770) | (661) |
| Change in fair value of derivative liability | 198 | 1,024 | 206 | 2,162 |
| Total other income (expense), net | (510) | 675 | (1,023) | 1,485 |
| **Net loss from continuing operations** | **(3,776)** | **(4,129)** | **(8,416)** | **(8,494)** |
| Loss from discontinued operations, net of tax | (6,080) | (2,245) | (6,954) | (4,869) |
| **Net loss** | **(9,856)** | **(6,374)** | **(15,370)** | **(13,363)** |
| Deemed dividend due to warrant reset | - | - | (164) | - |
| **Net loss to common stockholders** | **$ (9,856)** | **$ (6,374)** | **$ (15,534)** | **$ (13,363)** |
| Loss per share - basic and diluted | **$ (2.45)** | **$ (2.63)** | **$ (4.09)** | **$ (6.16)** |
| Weighted average number of common shares outstanding - basic and diluted | **4,022,947** | **2,423,831** | **3,801,599** | **2,169,057** |

See accompanying notes to the condensed consolidated financial statements

**VERB TECHNOLOGY COMPANY, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(in thousands, except share and per share data)**
**(unaudited)**

For the six months ended June 30, 2023

| | Class A Units | | Common Stock | | Additional Paid-in | Accumulated | |
|---|---|---|---|---|---|---|---|
| | *Shares* | *Amount* | Shares | Amount | Capital | Deficit | Total |
| **Balance at December 31, 2022** | **3** | **$ -** | **2,918,017** | **$ 1** | **$ 158,629** | **$ (153,464)** | **$ 5,166** |
| Sale of common stock from public offering | - | - | 901,275 | - | 6,578 | - | 6,578 |
| Fair value of vested restricted stock awards, stock options, and warrants | - | - | 197,414 | - | 1,362 | - | 1,362 |
| Deemed dividend due to warrant reset | - | - | | - | 164 | (164) | - |
| Issuance of shares for fractional adjustments related to reverse stock split | - | - | 31,195 | - | - | - | - |
| Fair value of common shares issued to settle accrued expenses | - | - | 93,190 | - | 146 | - | 146 |
| Fair value of common shares issued as payment on notes payable | - | - | 176,470 | - | 300 | - | 300 |
| Net loss | - | - | - | - | - | (15,370) | (15,370) |
| **Balance at June 30, 2023** | **3** | **$ -** | **4,317,561** | **$ 1** | **$ 167,179** | **$ (168,998)** | **$ (1,818)** |

**VERB TECHNOLOGY COMPANY, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**
**(in thousands, except share and per share data)**
**(unaudited)**

For the six months ended June 30, 2022

| | Class A Units | | Common Stock | | Additional Paid-in Capital | Accumulated Deficit | Total |
|---|---|---|---|---|---|---|---|
| | ***Shares*** | ***Amount*** | **Shares** | **Amount** | | | |
| **Balance at December 31, 2021** | **3** | **$ -** | **1,823,574** | **$ 1** | **$ 129,348** | **$ (116,027)** | **$ 13,322** |
| Sale of common stock from public offering | - | - | 646,106 | - | 20,150 | - | 20,150 |
| Issuance of common stock for commitment fee related to equity line of credit agreement | - | - | 15,182 | - | - | - | - |
| Issuance of common stock from option exercise | - | - | 8,318 | - | 377 | - | 377 |
| Fair value of common shares issued for services | - | - | 32,283 | - | 1,126 | - | 1,126 |
| Fair value of common shares issued to settle accounts payable and accrued expenses | - | - | 11,926 | - | 450 | - | 450 |
| Fair value of vested restricted stock awards, stock options and warrants | - | - | 11,581 | - | 1,468 | - | 1,468 |
| Net loss | - | - | - | - | - | (13,363) | (13,363) |
| **Balance at June 30, 2022** | **3** | **$ -** | **2,548,970** | **$ 1** | **$ 152,919** | **$ (129,390)** | **$ 23,530** |

See accompanying notes to the condensed consolidated financial statements

**VERB TECHNOLOGY COMPANY, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(in thousands)**
**(unaudited)**

| | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|---|---|---|
| **Operating Activities:** | | |
| Net loss | $ (15,370) | $ (13,363) |
| Loss from discontinued operations, net of tax | 6,954 | 4,869 |
| | | |
| **Adjustments to reconcile net loss to net cash used in operating activities, net of discontinued operations:** | | |
| Share-based compensation | 1,402 | 2,618 |
| Amortization of debt discount | 163 | 171 |
| Amortization of debt issuance costs | 127 | 264 |
| Change in fair value of derivative liability | (206) | (2,162) |
| Depreciation and amortization | 1,166 | 86 |
| Finance costs | 1,239 | - |
| Loss on disposal of property and equipment | - | 14 |
| **Effect of changes in assets and liabilities, net of discontinued operations:** | | |
| Prepaid expenses and other current assets | 66 | (384) |
| Operating lease right-of-use assets | 134 | 127 |
| Accounts payable, accrued expenses, and accrued interest | (285) | 360 |
| Deferred incentive compensation | - | (377) |
| Operating lease liabilities | (75) | (177) |
| Net cash used in operating activities attributable to continuing operations | (4,685) | (7,954) |
| Net cash used in operating activities attributable to discontinued operations | (1,855) | (3,048) |
| | | |
| **Investing Activities:** | | |
| Capitalized software development costs | (239) | (4,108) |
| Purchases of property and equipment | (5) | (20) |
| Purchases of intangible assets | - | (82) |
| Net cash used in investing activities attributable to continuing operations | (244) | (4,210) |
| Net cash provided by (used in) investing activities attributable to discontinued operations | 4,750 | (1) |
| | | |
| **Financing Activities:** | | |
| Proceeds from sale of common stock | 6,578 | 20,150 |
| Proceeds from convertible notes payable | - | 6,000 |
| Payment of notes payable | (375) | (1,896) |
| Payment of convertible notes payable | (1,350) | - |
| Proceeds from option exercise | - | 377 |
| Payment for debt issuance costs | - | (445) |
| Net cash provided by financing activities attributable to continuing operations | 4,853 | 24,186 |
| Net cash used in financing activities attributable to discontinued operations | (1,722) | (4,363) |
| | | |
| Net change in cash | 1,097 | 4,610 |
| | | |
| Cash - beginning of period | 2,429 | 937 |
| | | |
| Cash - end of period | $ 3,526 | $ 5,547 |

See accompanying notes to the condensed consolidated financial statements

## 1. DESCRIPTION OF BUSINESS

***Our Business***

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 subsidiaries on a consolidated basis.

As set forth more particularly below, through June 13, 2023 of the six months ended June 30, 2023, the Company operated three distinct lines of business through separate wholly owned subsidiaries. The first was Verb Direct, LLC, a sales Software-as-a-Service ("SaaS") platform for the direct sales industry; the second was Verb Acquisition Co., LLC, which was a sales SaaS platform for the Life Sciences industry and sports teams; and the third is verbMarketplace, LLC, which operates MARKET.live, a multivendor social shopping platform for retailers, brands, manufacturers, creators, influencers and entrepreneurs who seek to participate in an open market-style eco-system environment.

MARKET.live is akin to a virtual shopping mall, a centralized online destination where shoppers could explore hundreds, and over time thousands, of shoppable stores for their favorite brands, influencers, creators and celebrities, all of whom can host livestream shopping events from their virtual stores that can be seen by all shoppers at the virtual mall. Every store operator can host livestream events, even simultaneously, and over time we expect there will be thousands of such events, across numerous product and service categories, being hosted by people from all over the world, always on – 24/7 - where shoppers could communicate directly with the hosts in real time to comment or ask questions about products through an on-screen chat visible to all shoppers. Through the on-screen chat, shoppers can also communicate directly with each other in real time, invite their friends and family to join them at any of the live shopping events to share the experience, and then simply click on a non-intrusive - in-video overlay to place items in an on-screen shopping cart for purchase – all without interrupting the video. Shoppers can visit any number of other shoppable events to meet up and chat with friends, old and new, and together watch, shop and chat with the hosts, discover new products and services, and become part of an immersive entertaining social shopping experience. Throughout the experience, the shopping cart follows shoppers seamlessly from event to event, shoppable video to shoppable video, host to host, store to store and product to product.

Among the big differentiators for MARKET.live is that it allows anyone that streams on MARKET.live to simultaneously broadcast their stream (multi-cast or simulcast) over most popular social media sites to reach a substantially larger audience, which is especially attractive for creators and influencers that have large numbers of followers on other social media platforms.

A very compelling new feature recently developed for MARKET.live allows shoppers watching the stream on a popular social media site to stay on that site and actually check out through that site, eliminating the friction or reluctance to leave their favorite social site in order to check-out on MARKET.live. Currently in use by certain creators in beta, the Company expects this new capability will enhance sales growth and be a meaningful revenue generator when fully launched later this summer.

Last fall the Company launched its "Creators on MARKET.live," a program that allows creators to monetize their content through livestream shopping and personalized storefronts on MARKET.live. With more than 12 million products from brands like Athleta, Best Buy, Target, Container Store, Banana Republic, GAP, Saks Off 5th, SSENSE, LOFT, DERMSTORE, INTERMIX, UNCOMMON GOODS, and many more, participants can choose to feature their favorite products and promote and sell them to their fans, followers and customers.

The program has recently been restructured to be marketed not only to video content creators across multiple social media channels, but also to entrepreneurs eager to launch their own ecommerce store and drop-ship businesses on MARKET.live. Through this new program, creators, influencers, and entrepreneurs can quickly and easily establish their own storefronts, essentially their own website, and choose the products they love from hundreds of brands and retailers on MARKET.live to import into their storefront and offer their fans, followers, and would-be customers those products through livestream shopping events broadcast live on MARKET.live and simulcast on other social platforms.

Livestream events are also recorded and available to watch in their personally branded stores on MARKET.live for those fans, followers and customers to return 24/7 after the livestream events to browse and purchase any of the featured products, as the recorded livestream videos remain shoppable. Depending on the products chosen, participants in the program can earn between 5% and 20% of their gross sales at no cost and no risk to the Creators selected to participate in the Creator program. Entrepreneurs that participate in the dropship programs will pay a fixed monthly fee for access to the products in the program and to maintain their MARKET.live ecommerce storefronts.

On April 12, 2019, the Company acquired Sound Concepts Inc. ("Sound Concepts") through a merger into the Company's wholly owned subsidiary, Verb Direct, LLC ("Verb Direct").

On September 4, 2020, the Company acquired Ascend Certification, LLC, dba SoloFire ("SoloFire") through a merger into the Company's wholly owned subsidiary, Verb Acquisition Co., LLC ("Verb Acquisition").

On October 18, 2021, the Company established verbMarketplace, LLC ("Market LLC"), a Nevada limited liability company. Market LLC is a wholly owned subsidiary of the Company established to operate the MARKET.live platform.

On June 13, 2023, the Company disposed of all of its operating SaaS assets of Verb Direct and Verb Acquisition, (referred to collectively as the "SaaS business") pursuant to an asset purchase agreement in consideration of the sum of $6,500, $4,750 of which was paid in cash by the buyer at the closing of the transaction. Additional payments of $1,750 will be paid by the buyer if certain profitability and revenue targets are met within the next two years as set forth more particularly in the asset purchase agreement.

***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 six months ended June 30, 2023, the Company incurred a net loss from continuing operations of $8,416 and used cash in continuing operations of $4,685. 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. As a result, the Company's continuation as a going concern is dependent on its ability to obtain additional financing until the Company can generate sufficient cash flows from operations to meet our obligations. The Company intends to continue to seek additional debt or equity financing to continue its operations.

As of June 30, 2023, the Company had cash of $3,526.

Equity financing:

On January 24, 2023, the Company issued 901,275 shares of the Company's common stock which resulted in proceeds of $6,578, net of offering costs of $622.

Debt financing:

On January 12, 2022, the Company entered into a securities purchase agreement (the "January Note Purchase Agreement") with three institutional investors (collectively, the "January Note Holders") providing for the sale and issuance of an aggregate original principal amount of $6,300 in convertible notes due January 2023 (each, a "Note," and, collectively, the "Notes," and such financing, the "January Note Offering"). The Company and the January Note Holders also entered into a security agreement, dated January 12, 2022, in connection with the January Note Offering, pursuant to which the Company granted a security interest to the January Note Holders in substantially all of its assets. During the year ended December 31, 2022, the Company repaid $4,950 in principal payments and $357 of accrued interest to January Note Holders pursuant to the terms of the Notes. On January 26, 2023, the Company repaid the remaining principal balance of $1,350 and $208 of accrued interest under the January Note Offering dated January 12, 2022.

In September 2022, the U.S. Small Business Administration approved a loan of $350, which, as of August 14, 2023, the Company has not received these funds.

On November 7, 2022, the Company entered into a note purchase agreement (the "November Note Purchase Agreement") and promissory note with an institutional investor (the "November Note Holder") providing for the sale and issuance of an unsecured, non-convertible promissory note in the original principal amount of $5,470, which has an original issue discount of $470, resulting in gross proceeds to the Company of approximately $5,000 (the "November Note," and such financing, the "November Note Offering"). The November Note matures eighteen months following the date of issuance. Commencing six months from the date of issuance, the Company is required to make monthly cash redemption payments in an amount not to exceed $600. The November Note may be repaid in whole or in part prior to the maturity date for a 10% premium. The November Note requires the Company to use up to 20% of the gross proceeds raised from future equity or debt financings, or the sale of any subsidiary or material asset, to prepay the November Note, subject to a $2,000 cap on the aggregate prepayment amount. Until all obligations under the November Note have been paid in full, the Company is not permitted to grant a security interest in any of its assets, or to issue securities convertible into shares of common stock, subject in each case to certain exceptions. verbMarketplace, LLC entered into a guaranty, dated November 7, 2022, in connection with the November Note Offering, pursuant to which it guaranteed the obligations of the Company under the November Note in exchange for receiving a portion of the loan proceeds.

On May 16, 2023, the Company received a redemption notice under the terms of the November Note Purchase Agreement for $300. The Company missed two payments resulting in a Payment Failure Balance Increase of 10% on the outstanding principal balance per occurrence pursuant to the terms of the agreement totaling $1,205. These costs have been recorded as finance costs in the Company's condensed consolidated statements of operations for the three and six months ended June 30, 2023.

As of June 30, 2023 and December 31, 2022, the outstanding balance of the November Notes amounted to $6,375 and $5,544, respectively.

On February 16, 2023, the Company modified and combined the unpaid balances of the previous two advances on future receipts with a new advance from the same third party totaling $1,550 for the purchase of future receipts/revenues of $2,108, resulting in a debt discount of $558. As of June 30, 2023, the outstanding balance of the note was $915 and is being repaid by making daily payments of $10 on each banking day with a scheduled maturity date of November 7, 2023. The amounts related to this financing agreement have been reclassified to liabilities of discontinued operations for purposes of presenting discontinued operations.

Other:

The Company, through its Professional Employer Organization, filed for federal government assistance for the second and third quarters of 2021 in the aggregate amount of $1,528 through Employee Retention Credit ("ERC") provisions of the Consolidated Appropriations Act of 2021. The purpose of the ERC is to encourage employers to keep employees on the payroll, even if they are not working during the covered period due to the effects of the COVID-19 pandemic. As of June 30, 2023, and December 31, 2022, the Company had a receivable of $1,528 as the amended payroll tax returns have been filed with the IRS related to the quarterly periods ending June 2021 and September 2021. Due to the uncertain timing of the receipt of this receivable, it is being classified as a long-term asset in the condensed consolidated balance sheet at June 30, 2023.

In November 2022, a cost savings plan was approved and implemented to improve liquidity and preserve cash for operations (the "Cost Savings Plan"). This plan was expected to further reduce expenses moving forward through such actions as a reduction in force, elimination of certain services provided by various vendors, and a 25% reduction in cash compensation by senior management over a four-month period in exchange for shares of common stock. Subsequently, the Company extended the Cost Savings Plan through April 30, 2023.

If the Company is unable to generate sufficient cash flow from operations to operate its business and pay its debt obligations as they become due, it will need to seek to raise additional capital, borrow additional funds, dispose of subsidiaries or assets, reduce or delay capital expenditures, or change its business strategy. However, in light of the restrictive covenants imposed by certain of the Company's prior financing arrangements, in combination with the recent decline in the trading price of the common stock, the Company may be unable to raise additional capital in sufficient amounts when needed to operate its business, service its debt or execute on its strategic plans. Further, notwithstanding such restrictions, there can be no assurance that debt or equity financing will be available in the amounts, on terms, or at times deemed acceptable by the Company. The issuance of additional equity securities would result in significant dilution in the equity interests of the Company's current stockholders and could include rights or preferences senior to those of the current stockholders. Borrowing additional funds would increase the Company's liabilities and future cash commitments and potentially impose significant operational or financial restrictions and require the Company to further encumber its assets. If the Company is unable to obtain financing in the amounts and on terms deemed acceptable, the Company may be unable to continue to operate its business or pay its obligations as they become due, and as a result may be required to curtail or cease operations, which may result in stockholders or noteholders losing some or all of their investment.

***Economic Disruption***

Our business is dependent in part on general economic conditions. Many jurisdictions in which our customers are located and our products are sold have experienced and could continue to experience unfavorable general economic conditions, such as inflation, increased interest rates and recessionary concerns, which could negatively affect demand for our products. Under difficult economic conditions, customers may seek to cease spending on our current products or fail to adopt our new products, which could negatively affect our financial performance. We cannot predict the timing or magnitude of an economic slowdown or the timing or strength of any economic recovery. These and other economic factors could have a material adverse effect on our business, financial condition, and results of operations.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SUPPLEMENTAL DISCLOSURES

***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 for the fiscal year ended December 31, 2022 filed with the SEC on April 17, 2023 (the "2022 Annual Report"). The condensed consolidated balance sheet as of December 31, 2022 included herein was derived from the audited consolidated financial statements as of that date.

On April 18, 2023, we implemented a 1-for-40 reverse stock split (the "Reverse Stock Split") of our common stock, $0.0001 par value per share (the "Common Stock"). Our Common Stock commenced trading on a post Reverse Stock Split basis on April 19, 2023. As a result of the Reverse Stock Split, every forty (40) 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 forty and the exercise price of such securities increased by a factor of forty, as of April 18, 2023. All historical share and per-share amounts reflected throughout our condensed consolidated financial statements and other financial information in this Quarterly Report have been adjusted to reflect the Reverse Stock Split. The par value per share of our Common Stock was not affected by the Reverse Stock Split.

On June 10, 2023, the Board of Directors approved the sale of the SaaS Business assets to an unrelated third party, SW Direct Sales LLC ("SW Sales" or the "buyer"), for $6,500 with $4,750 cash proceeds paid by buyer upon closing of the transaction. Additional payments of $1,750 will be paid by the buyer if certain profitability and revenue targets are met within the next two years. The contingent payments were not recorded at the closing date of the sale, rather will be recognized as the cash is received and the contingency resolved pursuant to ASC 450-30.

Accordingly, the Company's condensed consolidated financial statements are being presented pursuant to ASC 360-10-45-9 which requires that a disposal group be classified as held for sale in the period in which all of the held for sale criteria are met. Accordingly, the Company's condensed consolidated balance sheet at December 31, 2022 has been reclassified to reflect held for sale accounting. In addition to held for sale accounting, the Company has also met the criterion pursuant to ASC 205-20, *Discontinued Operations*, as a strategic shift from operating and managing a SaaS business to operating and managing a live streaming shopping platform has occurred because of the sale. The Company's condensed consolidated results of operations and statements of cash flows have been reclassified to reflect the presentation of discontinued operations. See Note 4 for details of the assets and liabilities related to the SaaS sale and discontinued operations.

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 condensed consolidated financial statements have been prepared in accordance with GAAP and include the accounts of Verb, Verb Direct, LLC, Verb Acquisition Co., LLC, and verbMarketplace, LLC. All intercompany accounts have been eliminated in the consolidation. Certain prior period amounts have been reclassified to conform to the current year presentation within the condensed consolidated balance sheets as of June 30, 2023 and December 31, 2022.

***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, assumptions made in purchase price allocations, impairment testing 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.

***Revenue Recognition***

The Company recognizes revenue in accordance with Financial Accounting Standard Board's ("FASB") ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). Revenues during the six months ended June 30, 2023 were derived primarily from providing application services through the SaaS application, digital marketing and sales support services. During that period, the Company also derived revenue from the sale of customized print products and training materials, branded apparel, and digital tools, as demanded by its customers. As a result of the sale of the SaaS business, revenue that was recorded historically from the SaaS business has been reclassified as part of discontinued operations. See Note 4 for revenue disclosures related to the SaaS business.

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

MARKET.live, launched at the end of July 2022, generates revenue through several sources as follows:

a. All sales run through our ecommerce facility on MARKET.live from which we deduct a platform fee that ranges from 10% to 20% of gross sales, with an average of approximately 15%, depending upon the pricing package the vendors select as well as the product category and profit margins associated with such categories. The revenue is derived from sales generated during livestream events, from sales realized through views of previously recorded live events available in each vendor's store, as well as from sales of product and merchandise displayed in the vendors' online stores, all of which are shoppable 24/7.

b. Produced events. MARKET.live offers fee-based services that range from full production of livestream events, to providing professional hosts and event consulting.

c. Drop ship programs. MARKET.live is expected to generate recurring fee revenue from soon to be launched new drop ship programs for entrepreneurs.

d. The MARKET.live site is designed to incorporate sponsorships and other advertising based on typical industry rates.

***Capitalized Software Development Costs***

The Company capitalizes internal and external costs directly associated with developing internal-use software, and hosting arrangements that include an internal-use software license, during the application development stage of its projects. The Company's internal-use software is reported at cost less accumulated amortization. Amortization begins once the project has been completed and is ready for its intended use. The Company will amortize the asset on a straight-line basis over a period of three years, which is the estimated useful life. Software maintenance activities or minor upgrades are expensed in the period performed.

Amortization expense related to capitalized software development costs are recorded in depreciation and amortization in the condensed consolidated statements of operations.

***Intangible Assets***

The Company had certain intangible assets that were initially recorded at their fair value at the time of acquisition. The finite-lived intangible assets consist of developed technology and customer contracts. Indefinite-lived intangible assets consist of domain names. Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful life of five years.

The Company reviews 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, the Company recognizes an impairment loss for the excess carrying value over the fair value in our consolidated statements of operations.

In December 2022, the Company recorded an impairment loss of $440 on its indefinite-lived intangible assets that had been recognized as part of the Sound Concepts acquisition in 2019. The Company also recorded an impairment loss of $2 that had been recognized as part of the Solofire acquisition in 2020. As a result, the carrying amount of the Company's indefinite-lived intangible assets was reduced to $0 as of December 31, 2022.

The Company did not record any impairment charges related to finite-lived intangible assets during the six months ended June 30, 2023.

***Goodwill***

In accordance with FASB ASC 350, *Intangibles-Goodwill and Other*, the Company reviews goodwill and indefinite-lived intangible assets for impairment at least annually or whenever events or circumstances indicate a potential impairment. The Company's impairment testing is performed annually at December 31 (its fiscal year end). Impairment of goodwill and indefinite-lived intangible assets is determined by comparing the fair value of the Company's reporting unit to the carrying value of the underlying net assets in the reporting unit. If the fair value of the 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. In accordance with the "Segment Reporting" Topic of the ASC, the Company's chief operating decision maker (the Company's Chief Executive Officer) determined that there is only one reporting unit.

The Company's annual impairment analysis includes a qualitative assessment to determine if it is necessary to perform the quantitative impairment test. In performing a qualitative assessment, the Company reviewed events and circumstances that could affect the significant inputs used to determine if the fair value is less than the carrying value of goodwill. As a result of this qualitative assessment, the Company determined that a triggering event had occurred to necessitate performing the quantitative impairment test.

After performing the quantitative impairment test at December 31, 2022 in accordance with ASC 350-20-35-3C, the Company determined that goodwill was impaired by $10,183. As a result of the impairment losses recognized, the carrying amount of the Company's goodwill was reduced to $9,581 as of December 31, 2022.

On June 13, 2023, the Company entered into a definitive agreement to sell all of the operating assets and liabilities of the SaaS business to SW Sales for $6,500, including $4,750 of cash paid upon closing. The operations of the SaaS business have been presented within discontinued operations. Upon completion of the sale of assets to SW Sales, in which the buyer assumed all liabilities related to the SaaS business, the Company recorded an impairment of $5,441 within loss from discontinued operations as the carrying amount of the net assets exceeded the sale price, less selling costs.

***Series B Redeemable Preferred Stock***

On February 17, 2023, the Company entered into a subscription agreement with Rory J. Cutaia, its Chief Executive Officer, pursuant to which the Company agreed to issue and sell one (1) share of the Company's Series B Preferred Stock, par value $0.0001 per share, for $5 in cash. On April 20, 2023, the Company redeemed the Series B Preferred Stock for $5 in cash.

The Certificate of Designation setting for the rights and preferences of the Series B Preferred Stock provides that the holder of the Series B Preferred Stock will have 700,000,000 votes and will vote together with the outstanding shares of the Company's common stock as a single class exclusively with respect to any proposal to amend the Company's Articles of Incorporation, as amended, to effect a reverse stock split of the Company's common stock and to increase the number of authorized shares of common stock of the Company. The Preferred Stock will be voted, without action by the holder, on any such proposal in the same proportion, both For and Against, as the shares of common stock are voted. The Preferred Stock otherwise has no voting rights except as otherwise required by the Nevada Revised Statutes.

The Series B Preferred Stock is not convertible into, or exchangeable for, shares of any other class or series of stock or other securities of the Company. The Series B Preferred Stock has no rights with respect to any distribution of assets of the Company, including upon a liquidation, bankruptcy, reorganization, merger, acquisition, sale, dissolution or winding up of the Company, whether voluntarily or involuntarily. The holder of the Series B Preferred Stock will not be entitled to receive dividends of any kind.

The outstanding share of Series B Preferred Stock shall be redeemed in whole, but not in part, at any time (i) if such redemption is ordered by the Board of Directors in its sole discretion or (ii) automatically upon the effectiveness of the amendment to the Certificate of Incorporation implementing a reverse stock split and the increase in authorized shares of common stock of the Company.

***Fair Value of Financial Instruments***

The Company follows the guidance of FASB ASC 820 and ASC 825 for disclosure and measurement of the fair value of its financial instruments. FASB 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.

***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 consolidated 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 Compensation***

The Company issues stock options and warrants, shares of common stock and restricted stock units as share-based compensation to employees and non-employees. The Company accounts for its share-based compensation in accordance with FASB ASC 718, *Compensation – Stock Compensation*. Share-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. The fair value of restricted stock units is determined based on the number of shares granted and the quoted price of our common stock and is recognized as expense over the service period. Recognition of compensation expense for non-employees is in the same period and manner as if the Company had paid cash for services.

***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. No dilutive potential shares of common stock were included in the computation of diluted net loss per share because their impact was anti-dilutive.

As of June 30, 2023, and 2022, the Company had total outstanding options of 1,099,523 and 149,592, respectively, and warrants of 951,804 and 641,285, respectively, and outstanding restricted stock awards of 21,535 and 54,985, respectively, the Notes from the January Note Offering that were convertible into 0 and 37,382 shares at $120.00 per share, respectively, and convertible notes issued to a related party that were convertible into 21,874 and 19,657 shares at $41.20 per share, respectively, which were excluded from the computation of net loss per share because they are anti-dilutive.

***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.

The Company's concentration of credit risk includes its concentrations from key customers and vendors. The details of these significant customers and vendors are presented in the following table for the six months ended June 30, 2023 and 2022:

| | **Six Months Ended June 30,** | |
|---|---|---|
| | **2023** | **2022** |
| **The Company's largest customers are presented below as a percentage of the aggregate** | | |
| Revenues and Accounts receivable | No customers individually over 10% and in the aggregate | No customers individually over 10% and in the aggregate |
| **The Company's largest vendors are presented below as a percentage of the aggregate** | | |
| Purchases | One vendor that accounted for 32% of its purchases individually and in the aggregate | One vendor that accounted for 44% and 41%, respectively, of its purchases individually and in the aggregate |

***Supplemental Cash Flow Information***

| | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| **Supplemental disclosures of cash flow information:** | | |
| Cash paid for interest | $ 234 | $ 95 |
| Cash paid for income taxes | $ 2 | $ 1 |
| | | |
| **Supplemental disclosure of non-cash investing and financing activities attributable to continuing operations:** | | |
| Fair value of common shares issued to settle accrued expenses | $ 146 | $ 450 |
| Fair value of common shares issued as payment on notes payable | 300 | - |
| Fair value of common stock received in exchange for employee's payroll taxes | - | 6 |
| Accrued software development costs | - | 105 |
| Discount recognized from notes payable | - | 300 |
| **Supplemental disclosure of non-cash investing and financing activities attributable to discontinued operations:** | | |
| Discount recognized from advances on future receipts | 558 | - |
| Derecognition of operating lease right-of-use assets | - | 543 |
| Derecognition of operating lease liabilities | - | 521 |
| Recognition of operating lease right-of-use asset and related lease liability | $ - | $ 212 |

***Recent Accounting Pronouncements***

<u>Recently Adopted Accounting Pronouncements</u>

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. The adoption of this standard did not have any material impact on the Company's financial statements.

In August 2020, the FASB issued ASU No. 2020-06 ("ASU 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*)." ASU 2020-06 reduces the number of accounting models for convertible debt instruments by eliminating the cash conversion and beneficial conversion models. As a result, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost as long as no other features require bifurcation and recognition as derivatives. By removing those separation models, the effective interest rate of convertible debt instruments will be closer to the coupon interest rate. Further, the diluted net income per share calculation for convertible instruments will require the Company to use the if-converted method. ASU 2020-06 will be effective January 1, 2024, for the Company and is to be adopted through a cumulative-effect adjustment to the opening balance of retained earnings. Early adoption is permitted, but no earlier than January 1, 2021, including interim periods within that year. Effective January 1, 2022, the Company early adopted ASU 2020-06 and that adoption did not have any material impact on the Company's financial statements and the related disclosures.

In May 2021, the FASB issued ASU 2021-04, *Earnings Per Share (Topic 260), Debt—Modifications and Extinguishments (Subtopic 470-50), Compensation—Stock Compensation (Topic 718), and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40): Issuer's Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. ASU 2021-04 provides clarification and reduces diversity in an issuer's accounting for modifications or exchanges of freestanding equity-classified written call options (such as warrants) that remain equity classified after modification or exchange. An issuer measures the effect of a modification or exchange as the difference between the fair value of the modified or exchanged warrant and the fair value of that warrant immediately before modification or exchange. ASU 2021-04 introduces a recognition model that comprises four categories of transactions and the corresponding accounting treatment for each category (equity issuance, debt origination, debt modification, and modifications unrelated to equity issuance and debt origination or modification). ASU 2021-04 is effective for all entities for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. An entity should apply the guidance provided in ASU 2021-04 prospectively to modifications or exchanges occurring on or after the effective date. The Company adopted ASU 2021-04 effective January 1, 2022. The adoption of ASU 2021-04 did not have any material impact on the Company's consolidated financial statement presentation or disclosures.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. ASU 2021-08 will require companies to recognize and measure contract assets and contract liabilities relating to contracts with customers that are acquired in a business combination in accordance with ASC 606. Under current GAAP, an acquirer generally recognizes assets acquired and liabilities assumed in a business combination, including contract assets and contract liabilities arising from revenue contracts with customers, at fair value on the acquisition date. ASU No. 2021-08 will result in the acquirer recording acquired contract assets and liabilities on the same basis that would have been recorded by the acquiree before the acquisition under ASC Topic 606. The ASU is effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The Company adopted this ASU as of January 1, 2022 on a prospective basis and the adoption impact of the new standard will depend on the magnitude of future acquisitions. The standard will not impact acquired contract assets or liabilities from business combinations occurring prior to the adoption date.

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832)—Disclosures by Business Entities about Government Assistance*. ASU 2021-10 increases the transparency of government assistance including the disclosure of (1) the types of assistance, (2) an entity's accounting for the assistance, and (3) the effect of the assistance on an entity's financial statements. The ASU is effective for fiscal years beginning after December 15, 2021. The Company adopted this ASU as of January 1, 2022 on a prospective basis. The adoption of this standard did not have any material impact on the Company's financial statements.

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 (the "SEC") did not or are not believed by management to have a material impact on the Company's present or future consolidated financial statements.

**3. CAPITALIZED SOFTWARE DEVELOPMENT COSTS**

In 2020, the Company began developing MARKET.live, a livestream ecommerce platform, and has capitalized $7,131 and $7,108 of internal and external development costs as of June 30, 2023 and December 31, 2022, respectively. In October 2021, the Company entered into a 10-year license and services agreement with a third party (the "Primary Contractor") to develop on a work-for-hire basis certain components of MARKET.live. The Primary Contractor's fees for developing such components, including the license fee, is $5,750. The Primary Contractor was paid an additional $500 bonus in April 2022 for services rendered pursuant to the license and service agreement. In addition, as of June 30, 2023 and December 31, 2022, the Company had paid or accrued $605 and $604, respectively, of other capitalized software development costs.

For the three and six months ended June 30, 2023 and 2022, the Company amortized $539 and $0, respectively, and $1,077 and $0, respectively.

Capitalized software development costs, net consisted of the following:

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Beginning balance | $ 6,176 | $ 4,348 |
| Additions | 23 | 2,760 |
| Amortization | (1,077) | (932) |
| Ending balance | $ 5,122 | $ 6,176 |

The expected future amortization expense for capitalized software development costs as of June 30, 2023, is as follows:

| Year ending | Amortization |
|---|---|
| 2023 remaining | $ 1,188 |
| 2024 | 2,377 |
| 2025 | 1,445 |
| 2026 | 112 |
| Total amortization | $ 5,122 |

Option to Acquire Primary Contractor

In August 2021, the Company entered into a term sheet that provided the Company the option to purchase the Primary Contractor provided certain conditions are met. In November 2021, the Company exercised this option. The Company and the Primary Contractor subsequently reached an agreement-in-principle on the terms for the Company's acquisition of the Primary Contractor, the final consummation of which is subject to the execution of a share purchase agreement (the "SPA") and the completion of an audit of the Primary Contractor that is satisfactory to the Company (the "Primary Contractor Audit"), as well as the fulfillment by the Primary Contractor of certain other conditions set forth in the term sheet. The term sheet stipulates that if the Company had entered into the SPA and the Primary Contractor had the Primary Contractor Audit successfully completed prior to May 22, 2022 (or a subsequent mutually agreed upon date) and the Company thereafter determines not to consummate the acquisition of the Primary Contractor, the Company would have been liable for a $1,000 break-up fee payable to the Primary Contractor. However, as of May 22, 2022, the SPA had not been executed and the Primary Contractor Audit was not completed. The parties are still working together and in discussions regarding the transaction. Based on the term sheet, the purchase price for the Primary Contractor would have been $12,000, which could be paid in cash and/or stock, although the final terms of the acquisition if pursued will be set forth in the final executed SPA. There can be no assurance that the acquisition will be completed on the terms set forth in the term sheet or at all.

## 4. ASSETS AND LIABILITIES HELD FOR SALE

On June 13, 2023, the Company entered into a definitive agreement to sell all of its SaaS operating assets and liabilities to SW Sales for $6,500, including $4,750 of cash due upon closing. The operations of the SaaS business have been presented within discontinued operations. Upon completion of the sale of assets to SW Sales, in which the buyer assumed all liabilities related to the SaaS business, the Company recorded an impairment of $5,441 within loss from discontinued operations as the carrying amount of the net assets exceeded the sale price, less selling costs.

The assets and liabilities held for sale were as follows as of December 31, 2022

| | | December 31, 2022 |
|---|---|---|
| Assets: | | |
| Accounts receivable, net | | 1,024 |
| Prepaids and other current assets | | 299 |
| Goodwill | | 9,581 |
| Other long-lived assets | | 886 |
| Assets held for sale | $ | 11,790 |
| Liabilities: | | |
| Accounts payable | $ | 663 |
| Contract liabilities | | 1,340 |
| Accrued liabilities | | 480 |
| Liabilities related to assets held for sale | $ | 2,483 |

The following information presents the net revenues and net loss of the SaaS business for the three and six months ended June 30, 2023 and 2022:

| | Three Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| Net revenues | $ | 1,601 | $ | 2,399 |
| Net loss | $ | (6,080) | $ | (2,245) |

| | Six Months Ended June 30, | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| Net revenues | $ | 3,814 | $ | 5,090 |
| Net loss | $ | (6,954) | $ | (4,869) |

## 5. OPERATING LEASES

On January 3, 2022, the Company terminated the lease agreements relating to our office and warehouse leases in American Fork, Utah. In accordance with ASC 842, *Leases*, the Company derecognized the right-of-use assets of $543 and the corresponding lease liabilities of $521.

On April 26, 2022, the Company entered into an office space sub-lease agreement in Lehi, Utah (the "Lehi lease"). The agreement required us to pay $12 per month for an initial term of eighteen months, which increased by 3% per annum after twelve months. In accordance with ASC 842, the Company recognized a right-of-use asset and the related lease liability of $212.

On June 13, 2023, the Company derecognized the Lehi lease as part of the sale of SaaS assets to SW Sales. As a result of the sale, the Company has eliminated any lease-related information related to the SaaS business as part of its presentation of continuing operations. See Note 14 for Subsequent Events.

The components of lease expense and supplemental cash flow information related to leases for the period are as follows:

| | Six Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Lease cost | | |
| Operating lease cost (included in general and administrative expenses in the Company's statement of operations) | $ 170 | $ 192 |
| | | |
| Other information | | |
| Cash paid for amounts included in the measurement of lease liabilities | $ 113 | $ 221 |
| Weighted average remaining lease term – operating leases (in years) | 3.92 | 4.92 |
| Weighted average discount rate – operating leases | 4.0% | 4.0% |

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Operating leases | | |
| Right-of-use assets | $ 1,220 | $ 1,354 |
| | | |
| Short-term operating lease liabilities | $ 482 | $ 355 |
| Long-term operating lease liabilities | 1,379 | 1,581 |
| Total operating lease liabilities | $ 1,861 | $ 1,936 |

| Year ending | Operating Leases |
|---|---|
| 2023 remaining | $ 346 |
| 2024 | 472 |
| 2025 | 484 |
| 2026 | 496 |
| 2027 and thereafter | 209 |
| Total lease payments | 2,007 |
| Less: Imputed interest/present value discount | (146) |
| Present value of lease liabilities | $ 1,861 |

## 6. ADVANCES ON FUTURE RECEIPTS

As a result of the sale, the Company has eliminated any amounts related to advances on future receipts as part of its presentation of continuing operations The Company has the following advances on future receipts as of June 30, 2023 and December 31, 2022:

| Note | Issuance Date | Maturity Date | Interest Rate | Original Borrowing | Balance at June 30, 2023 | Balance at December 31, 2022 |
|---|---|---|---|---|---|---|
| Note 1 | August 25, 2022 | May 11, 2023 | 26% | $ 3,400 | $ - | $ 1,782 |
| Note 2 | October 25, 2022 | April 26, 2023 | 30% | 322 | - | 207 |
| Note 3 | February 16, 2023 | December 14, 2023 | 35% | 2,108 | 915 | - |
| Total | | | | $ 5,830 | 915 | 1,989 |
| Debt discount | | | | | (187) | (311) |
| Debt issuance costs | | | | | (32) | (37) |
| Net | | | | | $ 696 | $ 1,641 |

Note 1

On August 25, 2022, the Company received secured advances from an unaffiliated third party totaling $2,500 for the purchase of future receipts/revenues of $3,400, resulting in a debt discount of $900. The Company also paid $100 of debt issuance costs. The debt discount and debt issuance costs were being amortized over the term of the secured advance using the effective interest rate method. As of December 31, 2022, the outstanding balance of the note was $1,782 and the unamortized balance of the debt discount and debt issuance costs were $267 and $30, respectively. During the six months ended June 30, 2023, the Company paid $643 and amortized $155 and $17 of the debt discount and debt issuance costs, respectively. On February 16, 2023, the Company agreed to combine the unpaid balance with a new advance, see Note 3 below. The unamortized amounts of debt discount and debt issuance costs of $112 and $13, respectively, were written off as part of the accounting for loss from discontinued operations.

Note 2

On October 25, 2022, the Company received secured advances from an unaffiliated third party totaling $225 for the purchase of future receipts/revenues of $322, resulting in a debt discount of $97. The Company also paid $16 of debt issuance costs. The debt discount and debt issuance costs were being amortized over the term of the secured advance using the effective interest rate method. As of December 31, 2022, the outstanding balance of the note was $207 and the unamortized balance of the debt discount and debt issuance costs were $44 and $7, respectively. During the six months ended June 30, 2023, the Company paid $86 and amortized $28 and $4 of the debt discount and debt issuance costs, respectively. On February 16, 2023, the Company agreed to combine the unpaid balance with a new advance, see Note 3 below. The unamortized amounts of debt discount and debt issuance costs of $16 and $3, respectively, were written off as part of the accounting for loss from discontinued operations.

Note 3

On February 16, 2023, the Company modified and combined the unpaid balances of the previous two advances (see Notes 1 and 2 above) with a new advance from the same third party totaling $1,550 for the purchase of future receipts/revenues of $2,108, resulting in a debt discount of $558. The Company received $290 and paid $87 of debt issuance costs upon closing and an additional $3 on June 13, 2023. The debt discount and debt issuance costs are being amortized over the term of the secured advance using the effective interest rate method. During the six months ended June 30, 2023, the Company paid $1,193 and amortized $371 and $58 of the debt discount and debt issuance costs, respectively. As of June 30, 2023, the outstanding balance of the note was $915 and the unamortized balance of the debt discount and debt issuance costs were $187 and $32 respectively.

## 7. CONVERTIBLE NOTES PAYABLE AND NOTES PAYABLE

The Company has the following outstanding notes payable as of June 30, 2023 and December 31, 2022:

| Note | Issuance Date | Maturity Date | Interest Rate | Original Borrowing | Balance at June 30, 2023 | Balance at December 31, 2022 |
|---|---|---|---|---|---|---|
| Related party note payable (A) | December 1, 2015 | April 1, 2023 | 12.0% | $ 1,249 | $ 725 | $ 725 |
| Related party note payable (B) | April 4, 2016 | June 4, 2021 | 12.0% | 343 | 40 | 40 |
| Note payable (C) | May 15, 2020 | May 15, 2050 | 3.75% | 150 | 150 | 150 |
| Convertible Notes Due 2023 (D) | January 12, 2022 | January 12, 2023 | 6.0% | 6,300 | - | 1,350 |
| Promissory note payable (E) | November 7, 2022 | May 7, 2024 | 9.0% | 5,470 | 6,034 | 5,470 |
| Debt discount | | | | | (246) | (408) |
| Debt issuance costs | | | | | (183) | (309) |
| Total notes payable | | | | | 6,520 | 7,018 |
| Non-current | | | | | (150) | (1,215) |
| Current | | | | | $ 6,370 | $ 5,803 |

(A) On December 1, 2015, the Company issued a convertible note payable to Mr. Cutaia, the Company's Chief Executive Officer and a director, to consolidate all loans and advances made by Mr. Cutaia to the Company as of that date. On May 19, 2021, the Company amended the note to allow for conversion of the note at any time at the discretion of the holder at a fixed conversion price of $41.20, which was the closing price of the common stock on the amendment date. On May 12, 2022, the maturity date of the note was extended to April 1, 2023. As of June 30, 2023 and December 31, 2022, the outstanding balance under the note was $854 and $811, respectively. As of June 30, 2023 and December 31, 2022, the portion of the outstanding balance that represents accrued interest was $129 and $86, respectively.

(B) On April 4, 2016, the Company issued a convertible note payable to Mr. Cutaia, in the amount of $343, to consolidate all advances made by Mr. Cutaia to the Company during the period December 2015 through March 2016. On May 19, 2021, the Company amended the note to allow for conversion of the note at any time at the discretion of the holder at a fixed conversion price of $41.20, which was the closing price of the common stock on the amendment date. As of June 30, 2023 and December 31, 2022, the outstanding balance under the note was $47 and $45, respectively. As of June 30, 2023 and December 31, 2022, the portion of the outstanding balance that represents accrued interest was $7 and $5, respectively.

(C) On May 15, 2020, the Company executed an unsecured loan with the SBA under the Economic Injury Disaster Loan program in the amount of $150. Installment payments, including principal and interest, began on October 26, 2022. In September 2022, the SBA approved an additional loan of $350. As of August 14, 2023, the Company has not received these funds. As of June 30, 2023 and December 31, 2022, the outstanding balance under the note was $150.

(D) On January 12, 2022, the Company entered into a securities purchase agreement (the "January Note Purchase Agreement") with three institutional investors (collectively, the "January Note Holders") providing for the sale and issuance of an aggregate original principal amount of $6,300 in convertible notes due January 2023 (each, a "Note," and, collectively, the "Notes," and such financing, the "January Note Offering"). The Company and the January Note Holders also entered into a security agreement, dated January 12, 2022, in connection with the January Note Offering, pursuant to which the Company granted a security interest to the January Note Holders in substantially all of its assets. The January Note Purchase Agreement prohibits the Company from entering into an agreement to effect any issuance of common stock involving a Variable Rate Transaction (as defined therein) during the term of the agreement, subject to certain exceptions set forth therein. The January Note Purchase Agreement also gives the January Note Holders the right to require the Company to use up to 15% of the gross proceeds raised from future debt or equity financings to redeem the Notes, which redemptions have been elected by the January Note Holders. There are no financial covenants related to these notes payable.

The Company received $6,000 in gross proceeds from the sale of the Notes. The Notes bear interest of 6.0% per annum, have an original issue discount of 5.0%, mature 12 months from the closing date, and have an initial conversion price of $120.00, subject to adjustment in certain circumstances as set forth in the Notes.

In connection with the January Note Offering, the Company paid $461 of debt issuance costs. The debt issuance costs and the debt discount of $300 were amortized over the term of the Notes using the effective interest rate method. As of December 31, 2022, the amount of unamortized debt discount and debt issuance costs was $6 and $10, respectively. During the six months ended June 30, 2023, the Company amortized the remaining amount of debt discount and debt issuance costs.

As of December 31, 2022, the outstanding principal balance of the Notes amounted to $1,350. On January 26, 2023, the Company repaid in full all outstanding obligations under the January Note Offering dated January 12, 2022.

(E) On November 7, 2022, the Company entered into a note purchase agreement (the "November Note Purchase Agreement") and promissory note with an institutional investor (the "November Note Holder") providing for the sale and issuance of an unsecured, non-convertible promissory note in the original principal amount of $5,470, which has an original issue discount of $470, resulting in gross proceeds to the Company of approximately $5,000 (the "November Note," and such financing, the "November Note Offering"). The November Note matures eighteen months following the date of issuance. Commencing six months from the date of issuance, the Company is required to make monthly cash redemption payments in an amount not to exceed $600.

The November Note may be repaid in whole or in part prior to the maturity date for a 10% premium. The November Note requires the Company to use up to 20% of the gross proceeds raised from future equity or debt financings, or the sale of any subsidiary or material asset, to prepay the November Note, subject to a $2,000 cap on the aggregate prepayment amount. Until all obligations under the November Note have been paid in full, the Company is not permitted to grant a security interest in any of its assets, or to issue securities convertible into shares of common stock, subject in each case to certain exceptions. verbMarketplace, LLC entered into a guaranty, dated November 7, 2022, in connection with the November Note Offering, pursuant to which it guaranteed the obligations of the Company under the November Note in exchange for receiving a portion of the loan proceeds.

In connection with the November Note Offering, the Company incurred $335 of debt issuance costs. The debt issuance costs and the debt discount of $450 are being amortized over the term of the November Notes using the effective interest rate method. As of December 31, 2022, the amount of unamortized debt discount and debt issuance costs was $402 and $299, respectively. During the six months ended June 30, 2023, the Company paid $375 in cash and $300 in shares; amortized $156 of debt discount and $116 of debt issuance costs. As of June 30, 2023, the amount of unamortized debt discount and debt issuance costs was $246 and $183, respectively.

On May 16, 2023, the Company received a redemption notice under the terms of the November Note Purchase Agreement for $300. The Company missed two payments resulting in a Payment Failure Balance Increase of 10% on the outstanding principal balance per occurrence pursuant to the terms of the agreement totaling $1,205. These costs have been recorded as finance costs in the Company's condensed consolidated statement of operations for the three and six months ended June 30, 2023.

As of June 30, 2023 and December 31, 2022, the outstanding balance of the November Notes amounted to $6,375 and $5,544, respectively. See Note 14 for Subsequent Events.

The following table provides a breakdown of interest expense for the periods presented:

| | Three Months Ended June 30, | |
|---|---|---|
| | 2023 | 2022 |
| Interest expense – amortization of debt discount | $ 77 | $ 98 |
| Interest expense – amortization of debt issuance costs | 57 | 151 |
| Interest expense – other | 165 | 119 |
| Total interest expense | $ 299 | $ 368 |

Total interest expense for notes payable to related parties (see Notes A and B above) was $23 and $23 for the three months ended June 30, 2023 and 2022, respectively. The Company paid $0 and $0 in interest to related parties for the three months ended June 30, 2023 and 2022, respectively.

The following table provides a breakdown of interest expense for the periods presented:

| | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|---|---|---|
| Interest expense – amortization of debt discount | $ 163 | $ 171 |
| Interest expense – amortization of debt issuance costs | 127 | 264 |
| Interest expense – other | 480 | 226 |
| Total interest expense | $ 770 | $ 661 |

Total interest expense for notes payable to related parties (see Notes A and B above) was $46 and $46 for the six months ended June 30, 2023 and 2022, respectively. The Company paid $0 and $0 in interest to related parties for the six months ended June 30, 2023 and 2022, respectively.

## 8. 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. In prior years, 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 fundamental transaction clause of these warrants are accounted for as a derivative liability in accordance with ASC 815 and are being re-measured every reporting period with the change in value reported in the statement of operations.

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

| | June 30, 2023 | December 31, 2022 |
|---|---|---|
| Stock Price | $ 1.08 | $ 6.40 |
| Exercise Price | $ 8.00 | $ 13.60 |
| Expected Life | 1.50 | 1.98 |
| Volatility | 132% | 107% |
| Dividend Yield | 0% | 0% |
| Risk-Free Interest Rate | 5.07% | 4.41% |
| Total Fair Value | $ 16 | $ 222 |

The expected life of the warrants was based on the remaining contractual term of the instruments. 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.

During the six months ended June 30, 2023 and 2022, the Company recorded a gain of $206 and $2,162 respectively to account for the changes in the fair value of these derivative liabilities during the period. At June 30, 2023, the fair value of the derivative liability amounted to $16.

The details of derivative liability transactions for the six months ended June 30, 2023 and 2022 are as follows:

| | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|---|---|---|
| Beginning balance | $ 222 | $ 3,155 |
| Change in fair value | (206) | (2,162) |
| Ending balance | $ 16 | $ 993 |

## 9. COMMON STOCK

The Company's common stock activity for the six months ended June 30, 2023 is as follows:

***Common Stock***

***Shares Issued as Part of Public Offering***

On January 24, 2023, the Company entered into an underwriting agreement with Aegis Capital Corp. ("Aegis") as underwriter relating to the offering, issuance and sale of 901,275 shares of the Company's common stock at a public offering price of $8.00 per share. The net proceeds for the offering were $6,578, after deducting discounts, commissions and estimated offering expenses. As a result of this transaction, certain warrants which previously had an exercise price of $13.60 per share, had the exercise price reduced to $8.00 per share.

***Shares Issued for Services***

During the six months ended June 30, 2023, the Company issued 195,489 shares of common stock to officers and employees associated with the vesting of Restricted Stock Units.

***Termination of Equity Line of Credit Agreement***

On January 26, 2023, the Company terminated the January Purchase Agreement dated January 12, 2022, which provided for the sale by the Company of up to $50,000 of newly issued shares.

***Issuances of Stock Options***

During the six months ended June 30, 2023, the Company granted stock options to board members to purchase a total of 8,090 stock options as replacement awards related to forfeited restricted stock units. The options have an average exercise price of $9.20 per share, expire in five years, and vested on the grant date. The total grant date fair value of these options was $66 based on the Black-Scholes option pricing model.

On June 21, 2023, the Company granted stock options to board members to purchase a total of 997,595 stock options. The options have an average exercise price of $1.11 per share, expire in five years, and vest annually over 4 years. The total grant date fair value of these options was $953 based on the Black-Scholes option pricing model.

***Reverse Stock Split***

At a Special Meeting of Stockholders on April 10, 2023, the stockholders of the Company approved a Certificate of Amendment to the Articles of Incorporation of the Company to increase its authorized common stock from 200,000,000 shares to 400,000,000 shares and approved the grant of discretionary authority to the board of directors of the Company to effect a reverse stock split of its outstanding shares of common stock at a specific ratio within a range of one-for-five (1-for-5) to a maximum of a one-for-forty (1-for-40) split. On April 18, 2023, the Company implemented the 1-for-40 reverse stock split (the "Reverse Stock Split") of its common stock. The Company's common stock commenced trading on a post- reverse stock split basis on April 19, 2023. As a result of the Reverse Stock Split, every forty (40) shares of the Company's pre-Reverse Stock Split common stock were combined and reclassified into one share of common stock. The number of shares of common stock subject to outstanding options, warrants, and convertible securities were also reduced by a factor of forty and the exercise price of such securities increased by a factor of forty effective as of April 18, 2023.

***Equity Incentive Plan***

At the Special Meeting of Stockholders, the stockholders of the Company approved an amendment to the Company's 2019 Incentive Compensation Plan to increase the number of shares authorized under the plan by 15,000,000 shares of common stock to be authorized for awards granted under the plan.

See Note 14 for Subsequent Events.

**10. RESTRICTED STOCK UNITS**

A summary of restricted stock unit activity for the six months ended June 30, 2023 is presented below.

| | Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Non-vested at January 1, 2023 | 89,898 | $ 29.04 |
| Granted | 147,775 | 1.11 |
| Vested/deemed vested | (195,489) | 4.87 |
| Forfeited | (20,649) | 40.49 |
| Non-vested at June 30, 2023 | 21,535 | $ 48.61 |

The total fair value of restricted stock units that vested or deemed vested during the six months ended June 30, 2023 was $952. The total stock compensation expense recognized relating to the vesting of restricted stock units for the six months ended June 30, 2023 amounted to $840. As of June 30, 2023 the amount of unvested compensation related to issuances of restricted stock units was $1,047 which will be recognized as an expense in future periods as the shares vest. When calculating basic net loss per share, these shares are included in weighted average common shares outstanding from the time they vest. When calculating diluted net loss per share, these shares are included in weighted average common shares outstanding as of their grant date.

## 11. STOCK OPTIONS

A summary of option activity for the six months ended June 30, 2023 is presented below.

| | Options | | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life (Years) | | Aggregate Intrinsic Value |
|---|---|---|---|---|---|---|
| Outstanding at January 1, 2023 | 139,054 | $ | 52.11 | 3.37 | $ | - |
| Granted | 1,005,685 | | 1.18 | - | | - |
| Forfeited | (45,216) | | 48.11 | - | | - |
| Exercised | - | | - | - | | - |
| Outstanding at June 30, 2023 | 1,099,523 | $ | 5.69 | 4.78 | $ | - |
| Vested June 30, 2023 | 77,304 | $ | 50.47 | | $ | - |
| Exercisable at June 30, 2023 | 77,304 | $ | 50.47 | | $ | - |

At June 30, 2023, the intrinsic value of the outstanding options was $0.

During the six months ended June 30, 2023, the Company granted stock options to board members to purchase a total of 8,090 stock options as replacement awards related to forfeited restricted stock units. The options have an average exercise price of $9.20 per share, expire in five years, and vested on the grant date. The total fair value of these options at grant date was $66 using the Black-Scholes Option Pricing model.

On June 21, 2023, the Company granted stock options to board members to purchase a total of 997,595 stock options. The options have an average exercise price of $1.11 per share, expire in five years, and vest annually over 4 years. The total grant date fair value of these options was $953 based on the Black-Scholes option pricing model.

The total stock compensation expense recognized relating to the vesting of stock options for the six months ended June 30, 2023 amounted to $514. As of June 30, 2023, the total unrecognized share-based compensation expense was $2,665, which is expected to be recognizedas part of operating expense through June 2027.

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

| | Six Months Ended June 30, 2023 | Six Months Ended June 30, 2022 |
|---|---|---|
| Risk-free interest rate | 3.95% | 1.24% - 3.01% |
| Average expected term | 5 years | 5 years |
| Expected volatility | 127.5% | 147.8-149.5% |
| 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.

## 12. STOCK WARRANTS

The Company has the following warrants outstanding as of June 30, 2023, all of which are exercisable:

| | Warrants | | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Life (Years) | | Aggregate Intrinsic Value |
|---|---|---|---|---|---|---|
| Outstanding at January 1, 2023 | 952,638 | $ | 37.60 | 3.56 | $ | - |
| Granted | - | | - | - | | - |
| Forfeited | (834) | | 13.60 | - | | - |
| Exercised | - | | - | - | | - |
| Outstanding at June 30, 2023, all vested | 951,804 | | 32.80 | 2.68 | $ | - |

At June 30, 2023 the intrinsic value of the outstanding warrants was $0.

On January 24, 2023, the Company entered into an underwriting agreement with Aegis relating to the January 2023 offering, issuance and sale of 901,275 shares of the Company's common stock at a public offering price of $8.00 per share. As a result of this transaction, certain warrants which previously had an exercise price of $13.60 per share, had the exercise price reduced to $8.00 per share, which resulted in the Company recognizing a deemed dividend of $164.

## 13. COMMITMENTS AND CONTINGENCIES

***Litigation***

a. 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 in unpaid bonus compensation from 2015. This former employee filed his complaint in the Superior Court of California for the County of Los Angeles on November 20, 2019, styled *Meyerson v. Verb Technology Company, Inc., et al*. (Case No. 19STCV41816). The Company does not believe the former employee's claims have any merit as they are contradicted by documentary evidence, and barred by the applicable statute of limitations, and barred by a release. On February 9, 2021, the former employee's counsel filed a motion for summary judgment, or in the alternative, summary adjudication against the Company. On October 13, 2021, the court issued an order (i) denying the former employee's motion for summary judgment, (ii) partly granting the former employee's motion for summary adjudication, and (iii) partly denying the former employee's motion for summary adjudication. The court has set a trial date of August 28, 2023. The Company believes the resolution of this matter will not have a material adverse effect on the Company or its operations.

b. Legal Malpractice Action

The Company was involved in a dispute with Baker Hostetler LLP ("BH") relating to corporate legal services provided by BH to the Company. The Company filed a complaint in the Superior Court of California for the County of Los Angeles on May 17, 2021, styled *Verb Technology Company, Inc. v. Baker Hostetler LLP, et al.* (Case No. 21STCV18387). The Company's complaint arises from BH's alleged legal malpractice, breach of fiduciary duties owed to the Company, breach of contract, and violations of California's Business and Professions Code Section 17200 et seq. The Company is seeking, amongst other things, compensatory damages from BH. On October 5, 2021, BH filed a cross-complaint against the Company alleging, amongst other things, that the Company owes it approximately $915 in legal fees. The Company disputes owing this amount to BH. The Company believes that the resolution of these matters will have no material effect on the Company or its operations. On March 1, 2023, BH and the Company entered into an out of court settlement and the Company agreed to pay $25 on execution of the settlement agreement and $6.25 per month over a period of 12 months with a total settlement amount of $100. The total settlement amount was accrued by the Company as of June 30, 2023.

c. Dispute with Warrant Holder

The Company is currently in a dispute with Iroquois Capital Investment Group LLC and Iroquois Master Fund, Ltd (collectively, "Iroquois") relating to a securities purchase agreement (the "SPA") entered between the Company, Iroquois and certain other investors. The Company filed a complaint in the Supreme Court of New York for the County of New York on April 6, 2022, styled *Verb Technology Company, Inc. v. Iroquois Capital Investment Group LLC, et al*. (Index No. 651708/2022). The Company's complaint seeks a judicial declaration of its duties and obligations under the SPA. On May 5, 2022, Iroquois filed counterclaims against the Company for declaratory relief, breach of contract, and breach of the implied covenant of good faith and fair dealing relating to the SPA. Iroquois alleges damages of $1,500. The Company disputes Iroquois' counterclaims and damages allegations. The Company intends to vigorously pursue its claims and to vigorously defend itself against the counterclaims. The Company believes that the resolution of these matters will not have a material adverse effect on the Company or its operations.

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 $292 in 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 six months ended June 30, 2023 was $167. As of June 30, 2023, total board fees to be recognized in future period amounted to $125 and will be recognized once the service has been rendered.

## 14. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through August 14, 2023, the date these financial statements are available to be issued. The Company believes there were no material events or transactions discovered during this evaluation that requires recognition or disclosure in the financial statements other than the items discussed below.

***Lease Termination***

On July 3, 2023, the Company entered into a lease termination agreement with its landlord related to the office lease in Newport Beach, California. As part of the lease termination agreement, the Company agreed to vacate the property by August 15, 2023.

***Issuances of Common Stock***

On July 7, 2023, the Company issued 180,831 shares of its common stock pursuant to an Exchange Agreement in exchange for a reduction of $200 on the outstanding balance on the November Notes.

On July 29, 2023, the Company issued 2,948 shares of common stock to Mr. Cutaia associated with the vesting of restricted stock units.

***Execution of Lease Agreement***

On August 8, 2023, the Company entered into a corporate office lease agreement for its office in California. The agreement requires the Company to pay $8 per month for a term through September 30, 2026.

## 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 and six month periods ended June 30, 2023 and 2022 should be read in conjunction with the financial statements and related notes and the other financial information that are included elsewhere 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 subsidiaries, Verb Direct, LLC, or Verb Direct, Verb Acquisition Co., Inc., or Solofire, and verbMarketplace, LLC, or MARKET, on a consolidated basis, unless otherwise specified.*

### Overview

Through June 13, 2023 of the six months ended June 30, 2023, we operated three distinct lines of business through separate wholly owned subsidiaries. The first was Verb Direct, LLC, a sales Software-as-a-Service ("SaaS") platform for the direct sales industry; the second was Verb Acquisition Co., LLC, which was a sales SaaS platform for the Life Sciences industry and sports teams; and the third is verbMarketplace, LLC, which is a multi-vendor, multi-presenter, livestream social shopping platform known as MARKET.live that combines ecommerce and entertainment.

We believe that by focusing all of our resources solely on the development and operation of MARKET.live, our livestream shopping platform, over time we could generate greater shareholder value than we could through the continued operation of our SaaS business platforms. Accordingly, after an extensive, thorough seven-month process to identify a buyer willing to pay the highest price on the most favorable terms for the assets of the SaaS business, managed by a prominent M&A advisory firm, on June 13, 2023 we disposed of all of the operating SaaS assets of Verb Direct, LLC and Verb Acquisition Co., LLC pursuant to an asset purchase agreement in consideration of the sum of $6,500, $4,750 of which was paid in cash by the buyer at the closing of the transaction. Additional payments of $1,750 will be paid by the buyer if certain profitability and revenue targets are met within the next two years as set forth more particularly in the asset purchase agreement.

During the seven-month period of the sales process, virtually all of our resources were dedicated to facilitating the sale process and all operating budgets were suspended, including sales and marketing budgets for MARKET.live, in order to preserve cash and minimize reliance on the capital markets until the asset sale process was complete. However, upon conclusion of the sales process at the end of June 2023, we completed development work on new MARKET.live capability that facilitates a deeper integration into certain social media platforms that could expose MARKET.live shoppable programming to billions of potential viewers/purchasers. Currently in use by certain creators in beta, this new integration allows viewers of MARKET.live content on this social media platform to purchase MARKET.live products on and through the social media platform, eliminating friction from the sale process. This feature is expected to formally launch broadly later this summer. In addition, we restructured our creator program for re-launch as a subscription-based drop ship program, which is also expected to formally launch this summer.

Moreover, we are actively pursuing an acquisition. On June 12, 2023, our Board approved the execution of a non-binding letter of intent (the "LOI") to acquire certain assets of an ecommerce business (the "Target") for our MARKET.live, livestream shopping platform (the "Acquisition"). The Target's unaudited financial statements indicate that for the year-ended December 31, 2022, the Target generated transactions totaling approximately $9.5M in gross merchandise value ("GMV") and was cash-flow positive. It was represented that the GMV was generated by the Target's approximately 70,000 current active subscribers, each of whom receive daily auto-generated communications from the Target about the preferred brands and products the subscribers selected at sign-up, available for sale each day. Subject to the successful completion of the Acquisition, we intend to incorporate the Target's technology and operations into MARKET.live, so that the transactions that comprise the Target's GMV will be facilitated on and through our MARKET.live platform, potentially at higher margins. Potential corollary benefits of the transaction include the exposure of our MARKET.live shoppable entertainment programming to the Target's 70,000 subscribers, possibly driving additional sales, among other benefits. If completed, consideration for the proposed Acquisition, will be a combination of cash and stock, structured as a seller note payable over 24 months; and the payments are subject to actual cash receipts as represented by the seller.

***Our MARKET.live Business***

**MARKET.live** is a multivendor social shopping platform for retailers, brands, manufacturers, creators, influencers and entrepreneurs who seek to participate in an open market-style eco-system environment. MARKET.live is akin to a virtual shopping mall, a centralized online destination where shoppers could explore hundreds, and over time thousands, of shoppable stores for their favorite brands, influencers, creators and celebrities, all of whom can host livestream shopping events from their virtual stores that can be seen by all shoppers at the virtual mall. Every store operator can host livestream events, even simultaneously, and over time we expect there will be thousands of such events, across numerous product and service categories, being hosted by people from all over the world, always on – 24/7 - where shoppers could communicate directly with the hosts in real time to comment or ask questions about products through an on-screen chat visible to all shoppers. Through the on-screen chat, shoppers can also communicate directly with each other in real time, invite their friends and family to join them at any of the live shopping events to share the experience, and then simply click on a non-intrusive - in-video overlay to place items in an on-screen shopping cart for purchase – all without interrupting the video. Shoppers can visit any number of other shoppable events to meet up and chat with friends, old and new, and together watch, shop and chat with the hosts, discover new products and services, and become part of an immersive entertaining social shopping experience. Throughout the experience, the shopping cart follows shoppers seamlessly from event to event, shoppable video to shoppable video, host to host, store to store and product to product.

The MARKET.live business model is a simple but next-level B to B play. It is a multi-vendor platform, with a single follow-me style unified shopping cart, and robust ecommerce capabilities with the tools for consumer brands, big box brick and mortar stores, boutiques, influencers and celebrities to connect with their clients, customers, fans, followers, and prospects by providing a unique, interactive social shopping experience that we believe could keep them coming back and engaged for hours.

Among the big differentiators for MARKET.live is that it allows anyone that streams on MARKET.live to simultaneously broadcast their stream (multi-cast or simulcast) over most popular social media sites to reach a substantially larger audience, which is especially attractive for creators and influencers that have large number of followers on other social media platforms.

A very compelling new feature we recently developed for MARKET.live allows shoppers watching the stream on a popular social media site to stay on that site and actually check out through that site, eliminating the friction or reluctance to leave their favorite social site in order to check-out on MARKET.live. We expect this new capability will enhance sales growth and be a meaningful revenue generator when launched broadly later this summer.

MARKET.live also provides an online meeting place for friends and family to meet, chat, shop and enjoy a fun, immersive shopping experience in real time together from anywhere and everywhere in the world. MARKET.live provides vendors with extensive business building analytics capabilities not available on, and not shared by many operators of other social media sites who regard that information as valuable proprietary property.

MARKET.live allows vendors an opportunity to reach not only the shoppers they invite to the site from their own client and contact lists, and those that view their MARKET.live multi-cast streams on other social media platforms, but also those shoppers who came to the site independently who will discover these vendors as they browse through the many other shoppable events hosted simultaneously on MARKET.live 24/7, from around the world. We believe our revenue model will be attractive to vendors and will consist of SaaS recurring revenue as well as a share of revenue generated through sales on the platform.

MARKET.live is simply a platform; we hold no inventory, we take no inventory risk, and each vendor manages their own packing and fulfillment, as well as returns. Only vendors that have a demonstrated ability to manage inventory and fulfillment are selected to participate on MARKET.live.

As we continue onboarding vendors to the platform, we are seeing increased interest from product manufacturers seeking to embrace MARKET.live's direct-to-consumer selling capabilities, cutting-out distribution channel partners in order to reduce costs and increase profitability. As the economy tightens, we expect that trend to accelerate.

Last fall we launched our "Creators on MARKET.live," a program that allows creators to monetize their content through livestream shopping and personalized storefronts on MARKET.live. With more than 12 million products from brands like Athleta, Best Buy, Target, Container Store, Banana Republic, GAP, Saks Off 5th, SSENSE, LOFT, DERMSTORE, INTERMIX, UNCOMMON GOODS, and many more, participants can choose to feature their favorite products and promote and sell them to their fans, followers and customers.

The program has recently been restructured to be marketed not only to video content creators across multiple social media channels, but also to entrepreneurs eager to launch their own ecommerce store and drop-ship business on MARKET.live. Through this new program, creators, influencers, and entrepreneurs can quickly and easily establish their own storefronts, essentially their own website, and choose the products they love from hundreds of brands and retailers on MARKET.live to import into their storefront and offer their fans, followers, and would-be customers those products through livestream shopping events broadcast live on MARKET.live and simulcast on other social platforms.

Livestream events are also recorded and available to watch in their personally branded stores on MARKET.live for those fans, followers and customers to return 24/7 after the livestream events to browse and purchase any of the featured products, as the recorded livestream videos remain shoppable. Depending on the products chosen, participants in the program can earn between 5% and 20% of their gross sales at no cost and no risk to the Creators selected to participate in the Creator program. Entrepreneurs interested in the dropship programs will pay a fixed monthly fee for access to the products in the program and to maintain their MARKET.live ecommerce storefronts.

**verbTV** will launch as a feature of our MARKET.live platform, serving to draw an audience of people seeking to consume video content that is also interactive and shoppable. We expect this additional audience will also be exposed to and enhance the eco-system of shoppers and retailers on MARKET.live. Over time it is anticipated that verbTV will feature concerts, game shows, sports, including e-sports, sitcoms, podcasts, special events, news, including live events, and other forms of video entertainment that is all interactive and shoppable. verbTV represents an entirely new distribution channel for all forms of content by a new generation of content creators looking for greater freedom to explore the creative possibilities that a native interactive video platform can provide for their audience. We believe content creators may also enjoy greater revenue opportunities through the native ecommerce capabilities the platform provides to sponsors and advertisers who will enjoy real-time monetization, data collection and analytics. Through verbTV, sponsors and advertisers will be able to accurately measure the ROI from their marketing spend, instead of relying on imprecise viewership information traditionally offered to television sponsors and advertisers.

**Revenue Generation**

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

MARKET.live, launched at the end of July 2022, generates revenue through several sources as follows:

a. All sales run through our ecommerce facility on MARKET.live from which we deduct a platform fee that ranges from 10% to 20% of gross sales, with an average of approximately 15%, depending upon the pricing package the vendors select as well as the product category and profit margins associated with such categories. The revenue is derived from sales generated during livestream events, from sales realized through views of previously recorded live events available in each vendor's store, as well as from sales of product and merchandise displayed in the vendors' online stores, all of which are shoppable 24/7.

b. Produced events. MARKET.live offers fee-based services that range from full production of livestream events, to providing professional hosts and event consulting.

c. Drop ship programs, MARKET.live is expected to generate recurring fee revenue from soon to be launched new drop ship programs for entrepreneurs.

d. The MARKET.live site is designed to incorporate sponsorships and other advertising based on typical industry rates.

***Economic Disruption***

Our business is dependent in part on general economic conditions. Many jurisdictions in which our customers are located and our products are sold have experienced and could continue to experience unfavorable general economic conditions, such as inflation, increased interest rates and recessionary concerns, which could negatively affect demand for our products. Under difficult economic conditions, customers may seek to cease spending on our current products or fail to adopt our new products. We cannot predict the timing or impact of an economic slowdown, or the timing or strength of any economic recovery. These and other economic factors could have a material adverse effect on our business, financial condition, and results of operations.

*Recent Developments*

On June 13, 2023, the Company disposed of all of its operating SaaS assets of Verb Direct and SoloFire and received sales proceeds of $4.8 million.

**Results of Operations**

***Three Months Ended June 30, 2023 as Compared to the Three Months Ended June 30, 2022***

The following is a comparison of our results of continuing operations for the three months ended June 30, 2023 and 2022 (in thousands):

| | Three Months Ended June 30, | | |
|---|---|---|---|
| | 2023 | 2022 | Change |
| Revenue | $ 3 | $ - | $ 3 |
| Cost of Revenue | 1 | - | 1 |
| Gross margin | 2 | - | 2 |
| **Operating expenses** | | | |
| Depreciation and amortization | 583 | 44 | 539 |
| General and administrative | 2,685 | 4,760 | (2,075) |
| Total operating expenses | 3,308 | 4,804 | (1,536) |
| Operating loss from continuing operations | (3,266) | (4,804) | 1,538 |
| **Other income (expense)** | | | |
| Other income, net | 831 | 19 | 812 |
| Financing costs | (1,239) | - | (1,239) |
| Interest expense | (299) | (368) | 69 |
| Change in fair value of derivative liability | 198 | 1,024 | (826) |
| Total other income (expense), net | (510) | 675 | (1,185) |
| **Net loss from continuing operations** | **$ (3,776)** | **$ (4,129)** | **$ 353** |

*Revenue*

Our primary focus is on the growth of our MARKET.live business. Currently, the business is generating minimal revenues.

*Operating Expenses*

Depreciation and amortization expenses were $0.6 million for the three months ended June 30, 2023, as compared to $0.1 million for the three months ended June 30, 2022.

General and administrative expenses for the three months ended June 30, 2023 were $2.7 million, as compared to $4.8 million for the three months ended June 30, 2022, reflecting a 44% cost reduction. The decrease in general and administrative expenses is primarily due to decreased salary expense associated with headcount reduction.

*Other Income (Expense), net*

Other expense, net, for the three months ended June 30, 2023 was $0.5 million, which was primarily attributable to interest expense of $(0.3) million and financing costs of $(1.2) million offset by a gain on legal settlement of $0.8 million and a change in fair value of derivative liability of $0.2 million.

*Six Months Ended June 30, 2023 as Compared to the Six Months Ended June 30, 2022*

The following is a comparison of our results of continuing operations for the six months ended June 30, 2023 and 2022 (in thousands):

| | Six Months Ended June 30, | | |
|---|---|---|---|
| | **2023** | **2022** | **Change** |
| Revenue | $ 5 | $ - | $ 5 |
| Cost of Revenue | 2 | - | 2 |
| Gross margin | 3 | - | 3 |
| **Operating expenses** | | | |
| Depreciation and amortization | 1,166 | 86 | 1.080 |
| General and administrative | 6,230 | 9,893 | (3,663) |
| Total operating expenses | 7,396 | 9,979 | (2,583) |
| | | | |
| Operating loss from continuing operations | (7,393) | (9,979) | 2,586 |
| | | | |
| **Other income (expense)** | | | |
| Other income (expense), net | 780 | (16) | 796 |
| Financing costs | (1,239) | - | (1,239) |
| Interest expense | (770) | (661) | (109) |
| Change in fair value of derivative liability | 206 | 2,162 | (1,956) |
| Total other income (expense), net | (1,023) | 1,485 | (2,508) |
| **Net loss from continuing operations** | **$ (8,416)** | **$ (8,494)** | **$ 78** |

*Revenue*

Our primary focus is on the growth of our Market business. Currently, the business is generating minimal revenues.

*Operating Expenses*

Depreciation and amortization expenses were $1.2 million for the six months ended June 30, 2023, as compared to $0.1 million for the six months ended June 30, 2022.

General and administrative expenses for the six months ended June 30, 2023 were $6.2 million, as compared to $9.9 million for the three months ended June 30, 2022, reflecting a 37% cost reduction. The decrease in general and administrative expenses is primarily due to decreased salary expense associated with headcount reduction.

*Other Income (Expense), net*

Other expense, net, for the six months ended June 30, 2023 was $1.0 million, which was primarily attributable to interest expense of $(0.8) million and financing costs of $(1.2) million, offset by a gain on legal settlement of $0.8 million and a change in fair value of derivative liability of $0.2 million.

*Use of Non-GAAP Measures – Modified EBITDA*

In addition to our results under generally accepted accounting principles ("GAAP"), 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, share-based compensation, financing costs, changes in fair value of derivative liability, and loss from discontinued operations, net of tax.

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. You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating Modified EBITDA, you 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.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| (in thousands) | 2023 | 2022 | 2023 | 2022 |
| **Net loss** | **$ (9,856)** | **$ (6,374)** | **$ (15,370)** | **$ (13,363)** |
| **Adjustments:** | | | | |
| Depreciation and amortization | 583 | 44 | 1,166 | 86 |
| Share-based compensation | 430 | 1,317 | 1,402 | 2,618 |
| Other (income) expense, net | (831) | (19) | (780) | 16 |
| Financing costs | 1,239 | - | 1,239 | - |
| Interest expense | 299 | 368 | 770 | 661 |
| Change in fair value of derivative liability | (198) | (1,024) | (206) | (2,162) |
| Loss from discontinued operations, net of tax | 6,080 | 2,245 | 6,954 | 4,869 |
| Other non-recurring costs (a) | - | - | 185 | 126 |
| Total EBITDA adjustments | 7,603 | 2,931 | 10,730 | 6,214 |
| **Modified EBITDA** | **$ (2,253)** | **$ (3,443)** | **$ (4,640)** | **$ (7,149)** |

(a) Represents severance costs.

The $1.2 million improvement in Modified EBITDA for the three months ended June 30, 2023, compared to the same period in 2022, resulted from decreased operating expenses.

The $2.5 million improvement in Modified EBITDA for the six months ended June 30, 2023, compared to the same period in 2022, resulted from decreased operating expenses.

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 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 from continuing operations of $8.4 million during the six months ended June 30, 2023. We also utilized cash in operations from continuing operations of $4.7 million during the six months ended June 30, 2023. 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.

Equity financing:

On January 24, 2023, we entered into an underwriting agreement (the "Underwriting Agreement") with Aegis Capital Corp. ("Aegis") as underwriter (the "Underwriter"), relating to the offering, issuance and sale of 901,275 shares of our common stock at a public offering price of $8.00 per share. The net proceeds to us were approximately $6.6 million, after deducting discounts, commissions and estimated offering expenses. Aegis acted as the sole underwriter for the offering and received 6% of the gross proceeds as commission for the offering. They were also reimbursed by us for certain expenses, in an amount of up to $75 thousand, including legal fees. As a result of this transaction, certain warrants which previously had an exercise price of $13.60 per share, had the exercise price reduced to $8.00 per share.

Debt financing:

On January 12, 2022, we entered into a securities purchase agreement (the "January Note Purchase Agreement") with three institutional investors (collectively, the "January Note Holders") providing for the sale and issuance of an aggregate original principal amount of $6.3 million in Convertible Notes Due 2023 (each, a "Note," and, collectively, the "Notes," and such financing, the "January Note Offering"). The Company and the January Note Holders also entered into a security agreement, dated January 12, 2022, in connection with the January Note Offering, pursuant to which the Company granted a security interest to the January Note Holders in substantially all of its assets. The January Note Purchase Agreement prohibits us from entering into an agreement to effect any issuance of common stock involving a Variable Rate Transaction (as defined therein) during the term of the agreement, subject to certain exceptions set forth therein. The January Note Purchase Agreement also gives the January Note Holders the right to require the Company to use up to 15% of the gross proceeds raised from future debt or equity financings to redeem the Notes, which redemptions have been elected by the January Note Holders. On January 26, 2023, we repaid in full all outstanding obligations under the January Note Offering dated January 12, 2022.

In September, 2022, the U.S. Small Business Administration ("SBA") approved an additional loan of $0.35 million. As of August 14, 2023, we have not received these funds.

On November 7, 2022, we entered into a note purchase agreement (the "November Note Purchase Agreement") and promissory note with an institutional investor providing for the sale and issuance of an unsecured, non-convertible promissory in the original principal amount of $5.5 million, which has an original issue discount of $0.5 million, resulting in gross proceeds to us of approximately $5.0 million (the "November Note," and such financing, the "November Note Offering"). The November Note matures eighteen months following the date of issuance. Commencing six months from the date of issuance, we are required to make monthly cash redemption payments in an amount not to exceed $0.6 million. The November Note may be repaid in whole or in part prior to the maturity date for a 10% premium. The November Note requires us to use 20% of the gross proceeds raised from future equity or debt financings, or the sale of any subsidiary or material asset, to prepay the November Note, subject to a cap on the aggregate prepayment amount. Until all obligations under the November Note have been paid in full, we are not permitted to grant a security interest in any of its assets, or to issue securities convertible into shares of common stock, subject in each case to certain exceptions. Our wholly owned subsidiary verbMarketplace, LLC entered into a guaranty, dated November 7, 2022, in connection with the November Note Offering, pursuant to which it guaranteed the obligations on our behalf under the November Note in exchange for receiving a portion of the loan proceeds. At a special meeting of stockholders on April 10, 2023, our shareholders approved for purposes of Nasdaq Listing Rule 5635, the issuance of shares of common stock in partial or full satisfaction of the November Note.

Other:

We, through our Professional Employer Organization, filed for federal government assistance for the second and third quarters of 2021 in the aggregate amount of approximately $1.5 million through ERC provisions of the Consolidated Appropriations Act of 2021. As of June 30, 2023 and December 31, 2022, we had a long-term receivable of $1.5 million.

In November 2022, a cost savings plan was approved and implemented to improve liquidity and preserve cash for operations (the "Cost Savings Plan"). This plan is expected to further reduce expenses moving forward through such actions as a reduction in force, elimination of certain services provided by various vendors, and a 25% reduction in cash compensation by senior management over a four-month period in exchange for shares of common stock. Subsequently, the Company extended the Cost Savings Plan through April 30, 2023.

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.

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 June 30, 2023, we had cash of $3.5 million. We estimate our operating expenses for the next twelve months may continue to exceed any revenue we generate, and we may need to raise capital through either debt or equity offerings to continue operations. 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.

The following is a summary of our cash flows from operating, investing, and financing activities for the six months ended June 30, 2023 and 2022 (in thousands):

| | Six Months Ended June 30, | |
|---|---|---|
| | **2023** | **2022** |
| Cash used in operating activities – continuing operations | $ (4,685) | $ (7,954) |
| Cash used in operating activities – discontinued operations | (1,855) | (3,048) |
| Cash used in investing activities – continuing operations | (244) | (4,210) |
| Cash provided by (used in) investing activities – discontinued operations | 4,750 | (1) |
| Cash provided by financing activities – continuing operations | 4,853 | 24,186 |
| Cash used in financing activities – discontinued operations | (1,722) | (4,363) |
| Increase in cash | $ 1,097 | $ 4,610 |

***Cash Flows – Operating***

For the six months ended June 30, 2023, our cash flows used in operating activities for continuing operations amounted to $4.7 million, compared to cash flows used for the six months ended June 30, 2022 of $8.0 million. We generated $3.3 million additional cash from operations primarily due to cost savings in personnel expenses and reduced general and administrative expenses.

***Cash Flows – Investing***

For the six months ended June 30, 2023, our cash flows provided by investing activities amounted to $4.5 million, primarily due to $4.8 million of proceeds received from the sale of SaaS assets slightly offset by our investment in capitalized software development costs related to MARKET.

***Cash Flows – Financing***

Our cash provided by financing activities for continuing operations during the six months ended June 30, 2023 amounted to $4.8 million, which represented $6.6 million of net proceeds from the issuance of shares of our common stock, offset by the repayment of convertible notes of $(1.4) million and repayment of our November notes of $(0.4) million.

**Advances on Future Receipts**

On February 16, 2023, the Company modified and combined the unpaid balances of the previous two advances with a new advance from the same third party totaling $1.6 million for the purchase of future receipts/revenues of $2.1 million, resulting in a debt discount of $0.5 million. As of June 30, 2023, the outstanding balance of the note was $0.9 million.

**Convertible Notes Payable and Notes Payable**

We have the following outstanding notes payable as of June 30, 2023 (in thousands):

| Note | Issuance Date | Maturity Date | Interest Rate | Original Borrowing | Balance at June 30, 2023 |
|---|---|---|---|---|---|
| Related party note payable (A) | December 1, 2015 | April 1, 2023 | 12.0% | $ 1,249 | $ 725 |
| Related party note payable (B) | April 4, 2016 | June 4, 2021 | 12.0% | 343 | 40 |
| Note payable (C) | May 15, 2020 | May 15, 2050 | 3.75% | 150 | 150 |
| Promissory note payable (D) | November 7, 2022 | May 7, 2024 | 9.0% | 5,470 | 6,034 |
| Debt discount | | | | | (246) |
| Debt issuance costs | | | | | (183) |
| Total notes payable | | | | | 6,520 |
| Non-current | | | | | (150) |
| Current | | | | | $ 6,370 |

(A) On December 1, 2015, we 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 us as of that date. On May 19, 2021, we amended the note to allow for conversion of the note at any time at the discretion of the holder at a fixed conversion price of $41.20, which was the closing price of the common stock on the amendment date. On May 12, 2022, the maturity date of the note was extended to April 1, 2023. As of June 30, 2023, the outstanding balance of the note amounted to $0.8 million.

(B) On April 4, 2016, we issued a convertible note to Mr. Cutaia, in the amount of $0.3 million, to consolidate all advances made by Mr. Cutaia to us during the period December 2015 through March 2016. On May 19, 2021, we amended the note to allow for conversion of the note at any time at the discretion of the holder at a fixed conversion price of $41.20, which was the closing price of the common stock on the amendment date. As of June 30, 2023, the outstanding balance of the note amounted to less than $0.1 million.

(C) On May 15, 2020, we executed an unsecured loan with the U.S. Small Business Administration (SBA) under the Economic Injury Disaster Loan program in the amount of $0.15 million. Installment payments, including principal and interest, began October 26, 2022. In September 2022, the SBA approved an additional loan of $0.35 million. As of August 14, 2023, we have not received these funds. As of June 30, 2023, the outstanding balance of the note amounted to $0.15 million.

(D) On November 7, 2022, we entered into the November Note Offering, which provided for the sale and issuance of an aggregate original principal amount of $5.5 million in November Notes.

We received $5.0 million in gross proceeds from the sale of the November Notes. The November Notes bear interest of 9.0% per annum, have an original issue discount of 8.6%, and mature 18 months from the closing date.

In connection with the November Note Offering, we incurred $0.3 million of debt issuance costs. The debt issuance costs and the debt discount of $0.5 million are being amortized over the term of the November Notes using the effective interest rate method. As of June 30, 2023, the amount of unamortized debt discount and debt issuance costs was $0.2 million and $0.2 million, respectively.

On May 16, 2023, the Company received a redemption notice of $0.3 million under the terms of the November Note Purchase Agreement. The Company missed two payments resulting in a Payment Failure Balance Increase of 10% on the outstanding principal balance per occurrence pursuant to the terms of the agreement totaling $1.2 million. During the six months ended June 30, 2023, the Company paid $0.4 million in cash and $0.3 million in shares. As of June 30, 2023, the outstanding balance of the Notes amounted to $6.4 million.

**Critical Accounting Policies**

Our financial statements have been prepared in accordance with GAAP, 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 at the date of the financial statements, and the reported amounts of revenues and expenses during the reported periods. Significant estimates include assumptions made for reserves of uncollectible accounts receivable, assumptions made in valuing assets acquired in business combinations, impairment testing of goodwill and other long-lived assets, the valuation allowance for deferred tax assets, assumptions used in valuing derivative liabilities, assumptions used in valuing share-based compensation, and accruals for potential liabilities. Amounts could materially change in the future.

***Revenue Recognition***

The Company recognizes revenue in accordance with Financial Accounting Standard Board's ("FASB") ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). 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.

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

MARKET.live, launched at the end of July 2022, generates revenue through several sources as follows:

a. All sales run through our ecommerce facility on MARKET.live from which we deduct a platform fee that ranges from 10% to 20% of gross sales, with an average of approximately 15%, depending upon the pricing package the vendors select as well as the product category and profit margins associated with such categories. The revenue is derived from sales generated during livestream events, from sales realized through views of previously recorded live events available in each vendor's store, as well as from sales of product and merchandise displayed in the vendors' online stores, all of which are shoppable 24/7.

b. Produced events. MARKET.live offers fee-based services that range from full production of livestream events, to providing professional hosts and event consulting.

c. Drop ship programs. MARKET.live is expected to generate recurring fee revenue from soon to be launched new drop ship programs for entrepreneurs.

d. The MARKET.live site is designed to incorporate sponsorships and other advertising based on typical industry rates.

***Capitalized Software Development Costs***

The Company capitalizes internal and external costs directly associated with developing internal-use software, and hosting arrangements that include an internal-use software license, during the application development stage of its projects. The Company's internal-use software is reported at cost less accumulated amortization. Amortization begins once the project has been completed and is ready for its intended use. The Company will amortize the asset on a straight-line basis over a period of three years, which is the estimated useful life. Software maintenance activities or minor upgrades are expensed in the period performed.

Amortization expense related to capitalized software development costs are recorded in depreciation and amortization in the condensed consolidated statements of operations.

***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 Binomial pricing model. 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 Compensation***

The Company issues stock options and warrants, shares of common stock and restricted stock units as share-based compensation to employees and non-employees. The Company accounts for its share-based compensation in accordance with FASB ASC 718, *Compensation – Stock Compensation*. Share-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. The fair value of restricted stock units is determined based on the number of shares granted and the quoted price of our common stock and is recognized as expense over the service period. Recognition of compensation expense for non-employees is in the same period and manner as if the Company had paid cash for services.

***Goodwill***

In accordance with FASB ASC 350, *Intangibles-Goodwill and Other*, we review goodwill and indefinite-lived intangible assets for impairment at least annually or whenever events or circumstances indicate a potential impairment. Our impairment testing is performed annually at December 31 (our fiscal year end). Impairment of goodwill and indefinite-lived intangible assets 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***

We have certain intangible assets that were initially recorded at their fair value at the time of acquisition. The finite-lived intangible assets consist of developed technology and customer contracts. Indefinite-lived intangible assets consist of domain names. 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**

We are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act and are not required to provide the information required under this item.

**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 June 30, 2023. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of June 30, 2023.

*Changes in Internal Control Over Financial Reporting*

There were no additional 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 months ended June 30, 2023 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

For information regarding legal proceedings, refer to Note 13 - Commitments and Contingencies of the Notes to our Condensed Consolidated Financial Statements, which is incorporated herein by reference.

### ITEM 1A. RISK FACTORS

Our business, results of operations, and financial condition are subject to various risks. These risks are described elsewhere in this Quarterly Report on Form 10-Q and our other filings with the SEC, including the 2022 Form 10-K filed on April 17, 2023. The risk factors identified in our 2022 Form 10-K have not changed in any material respect.

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

None.

### ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

### ITEM 5 - OTHER INFORMATION

Not applicable.

### ITEM 6 - EXHIBITS

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

## INDEX TO EXHIBITS

| Exhibit Number | Description |
|---|---|
| 10.1 | Asset Purchase Agreement dated June 13, 2023, between Verb Technology Company, Inc. and SW Direct Sales, LLC.(incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on June 20, 2023). |
| 31.1* | 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 |
| 31.2* | 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 |
| 32.1** | Certification of Principal Executive Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code |
| 32.2** | Certification of Principal Financial Officer and Principal Accounting Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code |
| 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 |
| 104 | Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101) |

* Filed herewith.

** The certifications attached as Exhibit 32.1 and 32.2 that accompany this Quarterly Report pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed "filed" by the registrant for purposes of Section 18 of the Exchange Act and are not to be incorporated by reference into any of the registrant's filings under the Securities Act or the Exchange Act, irrespective of any general incorporation language contained in any such filing.

**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: August 14, 2023 | By: */s/ Rory J. Cutaia*<br>Rory J. Cutaia<br>President, Chief Executive Officer,<br>Secretary, and Director<br>(Principal Executive Officer) |
| Date: August 14, 2023 | By: */s/ Bill J. Rivard*<br>Bill J. Rivard<br>Interim Chief Financial Officer<br>(Principal Financial Officer and Principal Accounting Officer) |

**Exhibit 31.1**

**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.

August 14, 2023

*/s/ Rory J. Cutaia*

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

**Exhibit 31.2**

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

I, Bill J. Rivard, 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.

August 14, 2023

*/s/ Bill J. Rivard*

Bill J. Rivard
Interim Chief Financial Officer, Principal Financial Officer, and Principal Accounting Officer

**Exhibit 32.1**

**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 June 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; 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. as of the dates and for the periods presented.

August 14, 2023

*/s/ Rory J. Cutaia*

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

**Exhibit 32.2**

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

**The undersigned, Bill J. Rivard, 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 June 30, 2023 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; 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. as of the dates and for the periods presented.

August 14, 2023

*/s/ Bill J. Rivard*

Bill J. Rivard
Interim Chief Financial Officer, Principal Financial Officer, and Principal Accounting Officer