

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

**FORM 10-K**

(Mark One)

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

For the fiscal year ended: December 31, 2020

or

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

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

Commission file number: 001-38834

**Verb Technology Company, Inc.**

(Exact name of registrant as specified in its charter)

<b>Nevada</b>	<b>90-1118043</b>
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)
<b>782 Auto Mall Dr. American Fork, Utah</b>	<b>84003</b>
(Address of principal executive offices)	(Zip Code)

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

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

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

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes  No

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

Yes  No

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

Yes  No

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

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

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

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates based on the closing price of the registrant's common stock as quoted on The NASDAQ Capital Market as of the last business day of the registrant's most recently completed second fiscal quarter was approximately \$28,969,000.

DOCUMENTS INCORPORATED BY REFERENCE  
None

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (this "Annual Report") contains 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 not historical facts but rather are plans and predictions based on current expectations, estimates, and projections about our industry, our beliefs, and assumptions.

Forward-looking statements relate to matters such as our industry, business plans and strategies, material contracts, key relationships, consumer behavior, revenue, expenses, margins, profitability, capital expenditures, liquidity, capital resources and other operating information, and can be identified by words such as "may," "will," "could," "should," "anticipate," "expect," "intend," "project," "plan," "believe," "seek," "assume," and variations of these words and similar expressions. All of our forward-looking statements include assumptions underlying or relating to such statements that may cause actual results to differ materially from those that we are currently expecting, and are subject to considerable risks and uncertainties, including without limitation:

- we have incurred significant net losses and cannot be certain we will achieve or maintain profitable operations;
- our independent registered public accounting firm's reports for the fiscal years ended December 31, 2020 and 2019 have raised substantial doubt as to our ability to continue as a "going concern";
- the novel coronavirus ("COVID-19") pandemic has had, and may continue to have, a significant negative impact on our business, sales, results of operations and financial condition;
- our ability to grow and compete in the future will be adversely affected if adequate capital is not available to us or not available on terms favorable to us;
- the success of our business is dependent upon our ability to maintain and expand our customer base and our ability to convince our customers to increase the use of our services and/or platform;
- the market in which we operate is intensely competitive and, if we do not compete effectively, our operating results could be harmed;
- we may not be able to increase the number of our strategic relationships or grow the revenues received from our current strategic relationships;
- we may not be able to develop enhancements and new features to our existing service or acceptable new services that keep pace with technological developments;
- our ability to deliver our services is dependent on third party Internet providers; and
- security breaches and other disruptions could compromise our information and expose us to liability, which would cause our business and reputation to suffer.

The forward-looking statements contained in this Annual Report are based on management's current plans, estimates and expectations in light of information currently available to us, and they are subject to uncertainty and changes in circumstances. There can be no assurance that future developments affecting us will be those we have anticipated. Actual results may differ materially from these expectations due to changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors, many of which are beyond our control, as well as the other factors described in the section entitled "*Risk Factors*" within this Annual Report and in the other reports we file with the Securities and Exchange Commission ("SEC"). These risks and uncertainties include those described in the section entitled "*Risk Factors*."

You should not place undue reliance on these forward-looking statements. Our forward-looking statements are based on the information currently available to us and speak only as of the date on which they were made. Additional factors or events that could cause our actual results to differ may also emerge from time to time, and it is not possible for us to predict all of them. Over time, our actual results, performance, or achievements may differ from those expressed or implied by our forward-looking statements, and such difference might be significant and materially adverse to our security holders. Comparisons of results for current and any prior periods are not intended to express any future trends, or indications of future performance, unless expressed as such, and should only be viewed as historical data. Except as required by law, we undertake no obligation to update publicly any forward-looking statements, whether as a result of new information, future events, or otherwise. We have identified some of the important factors that could cause future events to differ from our current expectations and they are described in this Annual Report under the captions "*Risk Factors*," and "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," as well as in other documents that we may file with the SEC, all of which you should review carefully. We qualify all of our forward-looking statements by these disclaimers.

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## PART I

### ITEM 1. BUSINESS

#### *Overview*

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

#### *Our Technology*

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

#### *Our Products*

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

**verbLEARN** is an interactive, video-based learning management system that incorporates all of the clickable in-video technology featured in our verbCRM application and adapts them for use by educators for video-based education. verbLEARN is used by enterprises seeking to educate a large sales team or a customer base about new products, or elicit feedback about existing products. It also incorporates Verb’s proprietary data collection and analytics capabilities that inform users in real time when and for how long the viewers watched the video, how many times they watched it, and what they clicked on, in addition to adding gamification features that enhance the learning aspects of the application.

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

**verbTEAMS** is our interactive, video-based CRM for small-and medium-sized businesses and solopreneurs. verbTEAMS also incorporates verbLIVE as a bundled application. verbTEAMS incorporates self-sign-up, self-onboarding, self-configuring, content management system capabilities, user level administrative capabilities, and high-quality analytics capabilities in both mobile and desktop platforms that sync with one another. It also has a built-in one-click sync capability with Salesforce.

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#### *Impact of COVID-19 on Our Business and Industry*

In the three months ended June 30, 2021, the COVID-19 pandemic resulted in significant uncertainty and volatility in a wide variety of industries and markets, including in our industry, and prompted many federal, state, local, and foreign governments to implement various lock-down measures in an attempt to contain the spread and mitigate the impact of the disease. The initial implementation of such lock-down measures, and their re-introduction in response to a nation-wide resurgence of COVID-19 cases in late-2020, resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions and the cancellation or postponement of events.

Despite recent approval and initial distribution of vaccines, both the pandemic and the containment and mitigation measures have had, and are likely to continue to have, an adverse impact on the global and U.S. economies, the severity and duration of which are uncertain. It is likely that government stabilization efforts will only partially mitigate the consequences to the economy. As such, both the pandemic and containment and mitigation measures may adversely affect our business, operations and financial condition by, among other things, reducing demand for our applications, impairing the productivity of our workforce, and reducing our access to capital. The extent to which the COVID-19 pandemic will impact our business, financial conditions, and results of operations in the future remains uncertain and will be affected by a number of factors. These include the duration and extent of the pandemic, the duration and extent of imposed or recommended containment and mitigation measures, the extent, duration, and effective execution of government stabilization and recovery efforts, including those from the successful distribution of effective vaccines.

The COVID-19 pandemic may have long-term effects on the nature of the office environment and remote working. This may present operational and workplace culture challenges that may adversely affect our business. However, we are committed to our employees returning to the workplace in the long-term. Throughout the year ended December 31, 2020 and through the filing of this Annual Report, we have encouraged safe practices designed to stem the infection and spread of COVID-19 within our workforce and beyond and to maintain the mental health and well-being of our employees. Beginning in March 2020, in an effort to protect our employees and comply with applicable government orders, we restricted non-essential employee travel and transitioned our employees to a remote work environment. We currently expect the majority of our employees will continue working remotely at least through the second quarter of 2021. Our workforce has continued to effectively develop and support our product and service offerings notwithstanding the current environment.

We began the year ended December 31, 2020 with healthy demand for our products and services, many of which are designed to enable our customers to manage their businesses virtually. In the three months ended June 30, 2020, we experienced some uncertainty regarding whether there would be variability in demand for the services we

provide on our platform after lock-down measures were implemented. We expect demand variability for our products and services may continue as a result of the COVID-19 pandemic; however, our sales team reported a higher level of interest in our products and services during the year ended December 31, 2020. Although the impact has not been material to date, a prolonged downturn in economic conditions could have a material adverse effect on our customers and demand for our services.

We continue to actively communicate with and listen to our customers to ensure we are responding to their needs in the current environment with innovative solutions that will not only be beneficial now but also over the long-term. We monitor developments related to COVID-19 and remain flexible in our response to the challenges presented by the pandemic. To mitigate the adverse impact COVID-19 may have on our business and operations, we implemented a number of measures in the year ended December 31, 2020 to protect the health and safety of our employees, as well as to strengthen our financial position. These efforts include eliminating, reducing, or deferring non-essential expenditures, as well as complying with local and state government recommendations to protect our workforce.

The impact of the COVID-19 pandemic may also exacerbate other risks discussed in this Annual Report. For a complete description of the material risks we currently face, refer to the section entitled “*Risk Factors*” in this Annual Report.

### ***Verb Partnerships and Integrations***

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

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

We are currently working to introduce an integration of our interactive video technology into Microsoft Outlook followed by a broad-scale launch in early 2021, pursuant to and in accordance with our existing Microsoft partnership agreement. We expect to follow the Microsoft Outlook integration with the integration into other Microsoft Office 365 products.

### ***Non-Digital Products and Services***

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

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

### ***Our Market***

Our client base consists primarily of multi-national direct sales enterprises to whom we provide white-labeled, client-branded versions of our products. Our clients also include large professional associations and educational institutions, including school districts, auto sales, auto leasing, insurance, real estate, home security, not-for-profits, as well as clients in the health care industry, and the burgeoning CBD industry, among other business sectors. As of March 26, 2021, we provide subscription-based application services to approximately 140 enterprise clients for use in over 60 countries, in over 48 languages, which collectively account for a user base generated through more than 1.9 million downloads of our verbCRM application. Among the new business sectors targeted for this year are pharmaceutical sales, government institutions, small businesses and individual entrepreneurs.

### ***Revenue Generation***

We generate revenue from the following sources:

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

### ***Distribution Methods***

We distribute our services through the following methods:

- Prospective customers and clients can subscribe to our applications on a monthly or annual contract through a simple, web-based sign-up form accessible on our website (<https://www.verb.tech>), as well as through interactive sign-up links that we distribute via email, text messaging and through social media;
- Enterprise users that subscribe to our verbCRM software service can distribute custom-branded sign-up links to their internal and external staff via email or other electronic means;

- We have entered into partnership agreements with other CRM providers to incorporate our interactive video technology into such other CRM providers' software platforms to be offered to their existing and prospective client base for an additional monthly recurring fee, which fee is shared with us. In January 2018, we entered into such an agreement with Oracle America, Inc. to integrate our interactive video technology into their NetSuite platform on a revenue-share basis. In February 2018, we entered into a similar agreement with Adobe Marketo to integrate our interactive video technology into their platform on a revenue-share basis. On January 23, 2019, we entered into an agreement with Microsoft to integrate our interactive video technology into Microsoft's Office 365 services product line, beginning with its email platform Outlook and their internal communications platform TEAMS. On February 4, 2019, we entered into a revenue share partnership agreement with Salesforce.com to integrate our interactive video technology into the Salesforce.com CRM platform.

- We have entered into license and partnership agreements with digital marketing companies and advertising agencies to resell our Verb interactive video technology to their existing and prospective client bases for monthly fees which fees are shared with us. In March 2018, we entered into such an agreement with DR2Marketing, LLC to use and resell our applications to their clients on a revenue-share basis;
- We expect to enter into partnership agreements with large cloud services providers, to bundle our application with such providers' other applications offered to their existing and prospective global customer base in order to generate greater utilization fees from such customers' need for more data storage and bandwidth required by video-based applications. For example, under our agreement with Microsoft, their value-added cloud services resellers may choose to bundle our application for resale to their respective customer bases; and
- We employ a direct sales team, as well as outside sales consultants.

### ***Our Japan Operations***

In April 2020, we commenced local language sales, sales support, customer support, and marketing operations in Japan. In order to ensure compliance with Japan's laws, rules and regulations, our operations were established pursuant to, and in accordance with, an exclusive reseller agreement with an existing Tokyo-based Japanese corporation operated by a team with over 30-years' experience in the Japan direct sales industry. They operate and market our applications in Japan under the Verb brand.

Japan represents the 3<sup>rd</sup> largest global economy and the 5<sup>th</sup> largest direct sales market. There are approximately four million direct sales representatives in Japan which accounted for approximately \$16B in 2018 direct sales revenue. More than 50% of our current U.S.-based enterprise clients have a substantial number of sales representatives in Japan that currently do not subscribe to our application, with five of those clients generating the majority of their revenue from their Japan-based sales. We believe the in-country sales, sales support, and customer service we can provide through native language speaking staff in Japan represents a significant opportunity for us to grow our applications subscription business and enhance our clients' Japan initiatives. Since we began operations, we have executed verbCRM subscription agreements with 6 Japanese enterprise clients. As of December 31, 2020, Japan isn't a significant source of revenue.

We are exploring a similar expansion opportunity in Korea, which has the 3<sup>rd</sup> largest direct sales market in the world.

### ***Our Historical Background***

We are a Nevada corporation originally formed as a limited liability company in 2012 as Cutaia Media Group, LLC, or CMG. In May 2014, CMG merged into bBooth, Inc., and in October 2014, bBooth, Inc. changed its name to bBooth (USA), Inc.

In October 2014, bBooth (USA), Inc. was acquired by Global System Designs, Inc. In connection with the acquisition, Global Systems Design, Inc. changed its name to bBooth, Inc.

In April 2017, we changed our name from bBooth, Inc. to nFüz, Inc. and in February 2019 we changed our name from nFüz, Inc. to Verb Technology Company, Inc.

On February 1, 2019, we implemented a 1-for-15 reverse stock split of our common stock, \$0.0001 par value per share, or common stock. As a result of the reverse stock split, every fifteen shares of our pre-split common stock were combined and reclassified into one share of our common stock. Our consolidated financial statements have been recast to reflect the 1-for-15 reverse stock split of our common stock.

In April 2019, we acquired Sound Concepts Inc. ("Sound Concepts") pursuant to an agreement and plan of merger. As a result of the merger, Sound Concepts merged with and into our wholly owned subsidiary, NF Acquisition Company, LLC. Upon completion of the merger, NF Acquisition Company, LLC changed its name to Verb Direct, LLC ("Verb Direct").

On September 4, 2020, Verb Acquisition Co., LLC ("Verb Acquisition"), a subsidiary of the Company, entered into a Membership Interest Purchase Agreement (the "Purchase Agreement") with Ascend Certification, LLC, dba SoloFire ("SoloFire").

Our common stock and common stock purchase warrants trade on The NASDAQ Capital Market under the symbols "VERB" and "VERBW," respectively. Our Internet website address is <https://www.verb.tech>.

### ***Marketing***

We utilize our own proprietary interactive video platform as the foundation of our ongoing marketing initiatives. Our initiatives include, among other things, daily, broad-based social media engagement by a dedicated team of full-time employees and outside consultants; management of our interactive video-based website; and interactive video-based email campaigns and television commercials. In addition, the 17 direct sales back office systems providers with whom we have integrated verbCRM, market our applications to their customers and prospects in exchange for finders' fees.

### ***Competition***

CRM software generated more than \$48.2 billion in sales revenue throughout the world in 2018, has grown to become the largest software segment, overtaking data management software, and is expected to reach more than \$80 billion in sales revenue by 2025. We compete in the CRM applications industry, as well as in the video conferencing/webinar industry. We believe that CRM applications that incorporate our proprietary Verb interactive video technology provide significant competitive advantages over the CRM applications that do not. Salesforce, Microsoft, Oracle, SAP, and Adobe, the long-term leaders in the CRM sector, collectively account for approximately 41% of industry sales. These companies, as well as many others, have numerous differences in feature sets and functionality, but all share certain basic attributes. Most of them were designed before the advent and proliferation of mobile phones, social media, and the technology behind the current ubiquity of video over the internet and more recently on mobile devices. While many of them have attempted to incorporate video capabilities into their respective CRM platforms, sometimes in "bolt-on" fashion, we do not believe any of them has done so in a manner that is as effective as our interactive in-video ecommerce platform that allows users to place clickable calls-to-action right in the video, including into users' pre-existing sales and product videos. In addition, Verb's interactive videos are viewable on both mobile and desktop devices regardless of operating system and without the need to download a proprietary player or program.

We also compete in the video webinar and ecommerce solution provider sectors. The webinar sector is dominated by Zoom, WebEx, and Go2Meeting, among others. The ecommerce solution provider sector is dominated by Shopify, among others. However, we believe our verbLIVE application provides a superior solution for users seeking to use video webinars as a sales tool because our in-video clickable icons provide seamless in-video ecommerce capabilities that are not offered by either Zoom (or other large webinar providers) or Shopify. We believe verbLIVE represents a unique solution that combines the best features of Zoom and Shopify in a single application, offering users a more friction-free and effective selling experience. Notwithstanding the foregoing, the market share, marketing strength, and established positions in the marketplace of our competitors may prevent us from obtaining a large share of these markets.

### ***Intellectual Property***

Our policy is to protect our technology through, among other things, a combination of patents, trade secrets and copyrights. We primarily rely upon trade secrets and copyrighted proprietary software, code, and know-how to protect our interactive video technology platform and associated applications. We have taken security measures to protect our trade secrets and proprietary know-how, to the extent possible. Our means of protecting our proprietary rights may not prove to be adequate and our competitors may independently develop technology or products that are similar to ours or that compete with ours. Trade secret and copyright laws afford only limited protection for our technology and products. The laws of many countries do not protect our proprietary rights to as great an extent as do the laws of the United States. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to obtain and use information that we regard as proprietary. Third parties may also design around our proprietary rights, which may render our protected technology and products less valuable, if the design around is favorably received in the marketplace.

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We recently filed a provisional patent application with the U.S. Patent and Trademark Office (“PTO”) with respect to providing interactive video streams involving interactive buttons which we utilize in our video products. However, our provisional patent application may not result in the issuance of a patent, or may result in narrow claims, which may limit the protection we are attempting to obtain. We also hold a number of granted patents in two families with pending continuations. A first family relates to systems and methods for enhanced networking, conversion tracking, and conversion attribution. This family contains two issued patents (U.S. Pat. No. 9,792,380, issued October 17, 2017; and U.S. Pat. No. 10,467,317, issued Nov. 5, 2019) and a pending continuation. A second family relates to systems and methods for generating a custom campaign. This family contains one issued patent (U.S. Pat. No. 10,643,247, issued May 5, 2020) and a pending continuation. These existing patents and any future patents that may be issued to us, may not protect commercially important aspects of our technology. Furthermore, the validity and enforceability of such patents may be challenged by third parties, which may result in our patents being invalidated or modified by the PTO, various legal actions against us, the need to develop or obtain alternative technology and/or obtain appropriate licenses under third party patents, which may not be available on acceptable terms or at all.

Third parties may independently develop technology that is not covered by our patents, that is similar to, or competes with, our technology. In addition, our intellectual property may be infringed or misappropriated by third parties, particularly in foreign countries where the laws and governmental authorities may not protect our proprietary rights as effectively as those in the United States.

There is a risk that our means of protecting our intellectual property rights may not be adequate, and weaknesses or failures in this area could adversely affect our business or reputation, financial condition, and/or operating results.

We control access to our proprietary technology by entering into confidentiality and invention assignment agreements with our employees and contractors, and confidentiality agreements with third parties. Despite our precautions, we cannot assure you that our technology platform and products do not infringe patents held by others or that they will not in the future. Litigation may be necessary to enforce our intellectual property rights, to protect our trade secrets, to determine the validity and scope of the proprietary rights of others, or to defend against claims of infringement, invalidity, misappropriation, or other claims.

### ***Research and Development***

We incurred \$7,933,000 and \$4,312,000 of research and development expenses during the years ended December 31, 2020 and 2019, respectively. These expenses were incurred for the development of our interactive video-based sales enablement platform and associated applications.

### ***Suppliers***

While most of our design, development, and engineering team is U.S.-based, we currently utilize a small group of dedicated full-time and part-time off-shore experienced professionals for some of the coding and maintenance of our software. We believe we have mitigated the risks associated with managing an external team of software development professionals by incorporating experienced internal management and oversight, as well as appropriate systems, protocols, controls, and procedures to ensure the protection and integrity of all our applications. We have also ensured access to additional qualified professionals to provide like or complementary services on an as-needed basis.

### ***Dependence on Key Customers***

Based on our current business and anticipated future activities as described in this Annual Report, we do not have any customers that represent more than 10% of our 2020 revenue.

### ***Government Regulation***

Our software and services are subject to certain legal, regulatory and other requirements. These laws are complex and evolving. Various U.S. federal and state laws govern many of our business activities, including, without limitation, the processing of payments and handling of consumer information. Despite our significant efforts to comply with all applicable requirements, there can be no guarantee that our efforts will be sufficient or that existing laws, rules or other requirements will not be interpreted, revised, augmented or rewritten in a way that adversely affects our regulated business activities, which comprise a significant majority of our overall business. For additional information related to these risk-related issues, refer to the section entitled “Risk Factors” within this Annual Report.

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### ***Employees***

As of March 26, 2020, we had 104 full-time statutory employees, four part-time employees, and 59 independent contractors. We engage independent contractors on an as-needed-basis to provide specific expertise in areas of software design, development and coding, content creation, audio and video editing, video production services, and other business functions, including marketing and accounting. None of our employees are covered by a collective bargaining agreement. We have had no labor-related work stoppages and believe our relationship with our employees, consultants, and consultants, both full-time and part-time, is satisfactory.

We believe our people are at the heart of our success and our customers’ success. We endeavor to not only attract and retain talented employees, but also to provide a challenging and rewarding environment to motivate and develop our valuable human capital. We look to our talented employees to lead and foster various initiatives that support our company culture including those related to diversity, equity and inclusion. In addition, we rely heavily on our talented team to execute our growth plans and achieve our long-term strategic objectives.

We provide competitive compensation and benefits for our employees. Our compensation packages may include base salary, commission or annual performance-based bonuses, and stock-based compensation. We also offer general employee medical, dental, and vision insurance, health savings and flexible spending accounts, mental health resources, paid time off, paid family leave, life and disability insurance, and 401(k) plan matching contributions. These programs and our overall compensation packages seek to attract and retain talented employees.

We take the health and welfare of our employees very seriously, and have encouraged safe practices designed to stem the infection and spread of COVID-19 within our workforce and beyond and to maintain the mental health and well-being of our employees. Beginning in March 2020, in an effort to protect our employees and comply with applicable government orders, we restricted non-essential employee travel and transitioned our employees to a remote work environment. We currently expect the majority of our employees will continue working remotely at least through the second quarter of 2021. We are committed to our employees returning to the workplace in the long-term.

## **ITEM 1A. RISK FACTORS**

*Our short and long-term success is subject to numerous risks and uncertainties, many of which involve factors that are difficult to predict or beyond our control. As a result, investing in the Company's common stock involves substantial risk. The Company's stockholders should carefully consider the risks and uncertainties described below, in addition to the other information contained in or incorporated by reference into this Annual Report, as well as the other information we file with the SEC from time to time. The risks described below are not the only ones we face. Additional risks not presently known to us or that we currently believe are immaterial may also impair our business operations and financial results. If any of the following risks actually occurs, our business, financial condition or results of operations could be adversely affected. In such case, the trading price of our common stock could decline and you could lose all or part of your investment. Our filings with the SEC also contain forward-looking statements that involve risks or uncertainties. Our actual results could differ materially from those anticipated or contemplated by these forward-looking statements as a result of a number of factors, including the risks we face described below, as well as other variables that could affect our operating results. Past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.*

### **Risks Related to Our Business**

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

We have incurred recurring losses since inception. Our net loss was \$24,956,000 for the year ended December 31, 2020 and \$15,918,000 for the year ended December 31, 2019. We may continue to incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications, and delays, and other unknown events.

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

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

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*Our independent registered public accounting firm's reports for the fiscal years ended December 31, 2020 and 2019 have raised substantial doubt as to our ability to continue as a "going concern."*

Our independent registered public accounting firm indicated in its report on our audited consolidated financial statements as of and for the years ended December 31, 2020 and 2019 that there is substantial doubt about our ability to continue as a going concern. A "going concern" opinion indicates that the financial statements have been prepared assuming we will continue as a going concern and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets, or the amounts and classification of liabilities that may result if we do not continue as a going concern. Therefore, you should not rely on our consolidated balance sheet as an indication of the amount of proceeds that would be available to satisfy claims of creditors, and potentially be available for distribution to stockholders, in the event of liquidation. The presence of the going concern note to our financial statements may have an adverse impact on the relationships we are developing and plan to develop with third parties as we continue the commercialization of our products and could make it challenging and difficult for us to raise additional financing, all of which could have a material adverse impact on our business and prospects and result in a significant or complete loss of your investment.

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

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

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

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

*harmed.*

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

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

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

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

We have entered into certain strategic relationships with other marketing and CRM platforms, such as Oracle NetSuite and Adobe Market, to incorporate and integrate our interactive video technology, and are actively seeking additional strategic relationships. There can be no assurance, however, that these strategic relationships will result in material revenues for us or that we will be able to generate any other meaningful strategic relationships. If we are not able to increase the number of our strategic relationships or grow the revenues received from our current strategic relationships, our operating results could be harmed.

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

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

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

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

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

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

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

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

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

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



processed and stored in, and transmitted through, our information technology hardware and software infrastructure, or otherwise, could be compromised, which could result in significant losses or reputational damage. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses, any of which could substantially harm our business and our results of operations.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

#### **Risks Related to an Investment in Our Securities**

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

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

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

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

Our board of directors have the authority to cause us to issue, without any further vote or action by the stockholders, up to an additional 14,994,000 shares of preferred stock in one or more series, to designate the number of shares constituting any series, and to fix the rights, preferences, privileges and restrictions thereof, including dividend rights, voting rights, rights and terms of redemption, redemption price or prices and liquidation preferences of such series. As of March 26, 2021, we had 1,706 shares of preferred stock outstanding that are convertible into 1,550,909 shares of common stock.

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

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

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

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

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

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

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

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

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

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

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

Certain of our executive officers and directors own a significant percentage of our outstanding capital stock. We estimate our executive officers and directors and their respective affiliates beneficially owned approximately 10.1% of our outstanding voting stock as of March 26, 2021. The holdings of our directors and executive officers may increase further in the future upon vesting or other maturation of exercise rights under any of the options or warrants they may hold or in the future be granted, or if they otherwise acquire additional shares of our common stock. The interests of such persons may differ from the interests of our other stockholders. As a result, in addition to their board seats and offices, such persons will have significant influence and control over all corporate actions requiring stockholder approval, irrespective of how our other stockholders may vote, including the following actions:

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

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

***Our common stock has been categorized as "penny stock," which may make it more difficult for investors to sell their shares of common stock due to suitability requirements.***

The SEC has adopted regulations which generally define a "penny stock" to be any equity security that has a market price (as defined) less than \$5.00 per share or an exercise price of less than \$5.00 per share, subject to certain exceptions. Our securities are covered by the penny stock rules, which impose additional sales practice requirements on broker-dealers who sell to persons other than established customers and "accredited investors". The term "accredited investor" refers generally to institutions with assets in excess of \$5,000,000 or individuals with a net worth in excess of \$1,000,000 or annual income exceeding \$200,000 or \$300,000 jointly with their spouse. The penny stock rules require a broker-dealer, prior to a transaction in a penny stock not otherwise exempt from the rules, to deliver a standardized risk disclosure document in a form prepared by the SEC that provides information about penny stocks and the nature and level of risks in the penny stock market. The broker-dealer also must provide the customer with current bid and offer quotations for the penny stock, the compensation of the broker-dealer and its salesperson in the transaction and monthly account statements showing the market value of each penny stock held in the customer's account. The bid and offer quotations, and the broker-dealer and salesperson compensation information, must be given to the customer orally or in writing prior to effecting the transaction and must be given to the customer in writing before or with the customer's confirmation. In addition, the penny stock rules require that prior to a transaction in a penny stock not otherwise exempt from these rules, the broker-dealer must make a special written determination that the penny stock is a suitable investment for the purchaser and receive the purchaser's written agreement to the transaction. These disclosure requirements may have the effect of reducing the level of trading activity in the secondary market for the stock that is subject to these penny stock rules. Consequently, these penny stock rules may affect the ability of broker-dealers to trade our securities. We believe that the penny stock rules discourage investor interest in and limit the marketability of our common stock.

***The Financial Industry Regulatory Authority, Inc. has adopted sales practice requirements that historically may have limited a stockholder's ability to buy and sell our common stock, which could depress the price of our common stock.***

In addition to the "penny stock" rules described above, the Financial Industry Regulatory Authority ("FINRA") has adopted rules that require that, in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives, and other information. Under interpretations of these rules, FINRA believes that there is a high probability that speculative low-priced securities will not be suitable for at least some customers. Thus, the FINRA requirements historically has made it more difficult for broker-dealers to recommend that their customers buy our common stock, which could limit your ability to buy and sell our common stock, have an adverse effect on the market for our shares, and thereby depress our price per share of common stock.

***The elimination of monetary liability against our directors, officers, and employees under Nevada law and the existence of indemnification rights for our obligations to our***

*directors, officers, and employees may result in substantial expenditures by us and may discourage lawsuits against our directors, officers, and employees.*

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

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

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

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

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

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

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

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

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

Our California office is approximately 6,700 square feet and is located at 2210 Newport Blvd., Suite 200, Newport Beach, California 92663. Our office houses our executive and administrative operations under an operating lease that expires on May 31, 2027 for monthly rent of approximately \$35,000. We believe that our facility is sufficient to meet our current needs and that suitable additional space will be available as and when needed.

On April 12, 2019, the Company acquired four office and warehouse leases in American Fork, Utah related to the operation of Verb Direct with an aggregate lease payment of \$31,000 per month. The lessor of the office and warehouse area is JMCC Properties, which is an entity owned and controlled by the former shareholders and certain current officers of Verb Direct.

#### **ITEM 3. LEGAL PROCEEDINGS**

For a discussion of our legal proceedings, refer to Note 19 “*Commitments and Contingencies*,” in the notes to our audited consolidated financial statements of this Annual Report.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **PART II**

### **ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

#### **Market Information**

Our common stock trades on The NASDAQ Capital Market under the symbol “*VERB*.”

## Holders of Common Stock

As of March 26, 2021, there were approximately 104 holders of record of our common stock. These holders of record include depositories that hold shares of stock for brokerage firms which, in turn, hold shares of stock for numerous beneficial owners.

## Dividends

We have never declared or paid dividends. We do not intend to pay cash dividends on our common stock for the foreseeable future, but currently intend to retain any future earnings to fund the development and growth of our business. The payment of dividends if any, on our common stock will rest solely within the discretion of our board of directors and will depend, among other things, upon our earnings, capital requirements, financial condition, and other relevant factors.

## Recent Sales of Unregistered Securities

During our fiscal year ended December 31, 2020, all sales of equity securities that were not registered under the Securities Act of 1933, as amended, were previously reported in a Quarterly Report on Form 10-Q or in a Current Report on Form 8-K.

## Purchases of Equity Securities by the Issuer and Affiliated Purchasers

None.

## ITEM 6. SELECTED FINANCIAL DATA

Not applicable.

## ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our results of operations and financial condition for the fiscal years ended December 31, 2020 and 2019, should be read in conjunction with our consolidated financial statements and the related notes and the other financial information that are included elsewhere in this Annual Report. This discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations, and intentions. The following discussion contains forward-looking statements that involve risks and uncertainties such as our plans, estimates, and beliefs. Our actual results could differ materially from those discussed in the forward-looking statements below. Factors that could cause or contribute to those differences in our actual results include, but are not limited to, those discussed below and those discussed elsewhere within this Annual Report, particularly in the section entitled “Cautionary Note Regarding Forward-Looking Statements” and the Item entitled “Risk Factors.”*

### Overview

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

### Our Technology

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

### Our Products

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

**verbLEARN** is an interactive, video-based learning management system that incorporates all of the clickable in-video technology featured in our verbCRM application and adapts them for use by educators for video-based education. verbLEARN is used by enterprises seeking to educate a large sales team or a customer base about new products, or elicit feedback about existing products. It also incorporates Verb’s proprietary data collection and analytics capabilities that inform users in real time when and for how long the viewers watched the video, how many times they watched it, and what they clicked on, in addition to adding gamification features that enhance the learning aspects of the application.

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

**verbTEAMS** is our interactive, video-based CRM for small-and medium-sized businesses and solopreneurs. verbTEAMS also incorporates verbLIVE as a bundled application. verbTEAMS incorporates self-sign-up, self-onboarding, self-configuring, content management system capabilities, user level administrative capabilities, and high-quality

### ***Verb Partnerships and Integrations***

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

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

We are currently working to introduce an integration of our interactive video technology into Microsoft Outlook followed by a broad-scale launch in early 2021, pursuant to and in accordance with our existing Microsoft partnership agreement. We expect to follow the Microsoft Outlook integration with the integration into other Microsoft Office 365 products.

### ***Non-Digital Products and Services***

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

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

### ***Our Market***

Our client base consists primarily of multi-national direct sales enterprises to whom we provide white-labeled, client-branded versions of our products. Our clients also include large professional associations, educational institutions, including school districts, auto sales, auto leasing, insurance, real estate, home security, not-for-profits, as well as clients in the health care industry, and the burgeoning CBD industry, among other business sectors. As of March 26, 2021, we provide subscription-based application services to approximately 140 enterprise clients for use in over 60 countries, in over 48 languages, which collectively account for a user base generated through more than 1.9 million downloads of our verbCRM application. Among the new business sectors targeted for this year are pharmaceutical sales, government institutions, small businesses and individual entrepreneurs.

### ***Revenue Generation***

We generate revenue from the following sources:

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

### ***Recent Developments***

#### ***verbLIVE Marketing and Monetization Strategies***

##### Salesforce

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

##### verbLIVE Pre-Sales

As previously disclosed, 17 of our existing clients have signed up for verbLIVE during the pre-launch marketing last quarter. We believe that these corporate clients have a combined potential individual user base of 465,350 users which represent the total addressable market among the existing clients that have already signed on. Historically, our penetration rates among our existing corporate clients vary but on the low end it is approximately 10%. Adopting that 10% rate, we believe that we have the potential to attract 46,000 users to subscribe and pay for verbLIVE. Currently, we charge \$9.99 to \$14.99 per user per month for verbLIVE depending on the features and package for existing verbCRM users, though at launch, we may charge a lower price, including a free trial period. Applying the lower price of \$9.99 per user and a penetration rate of 10% for this analysis, we believe that we could potentially capture approximately \$0.5 million of SaaS recurring revenue per month - or approximately \$5.5 million of annual recurring revenue. We are encouraged by the fact that many of these prospective users already have our verbCRM app on their mobile device which allows us to send very targeted

marketing messages promoting verbLIVE, including video demonstrations explaining what verbLIVE could do for their business. In addition, our platform is already integrated into many of our clients' back-office providers making adoption for these clients and users much faster and easier. This is a small part of our internal modeling and should not be interpreted by anyone as a guarantee of performance or results. Notwithstanding the foregoing, which is an example only, our current projected usage models forecast far greater numbers than the 10% penetration rates for our existing signed customers, which we projected earlier this year, and much greater numbers still when we add anticipated adoption rates from the as yet untapped market outside our existing business.

For the quarter ended September 30, 2020, we reported that we were working diligently to ramp up capacity before a larger launch to ensure that we do not face service outages from overloaded servers. Notwithstanding these efforts, we may nevertheless experience server overloads as it is difficult to predict the rate of adoption and usage. We have begun final testing on the platform enhancements that have been designed and built to accommodate tens of thousands of simultaneous live streams, logins, viewers, and interactions on a global basis. Upon satisfactory completion of the testing, we will begin satisfying our existing back-log of current verbCRM users as discussed above.

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

### ***SoloFire Acquisition***

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

### ***Impact of COVID-19 on Our Business and Industry***

In the three months ended June 30, 2021, the COVID-19 pandemic resulted in significant uncertainty and volatility in a wide variety of industries and markets, including in our industry, and prompted many federal, state, local, and foreign governments to implement various lock-down measures in an attempt to contain the spread and mitigate the impact of the disease. The initial implementation of such lock-down measures, and their re-introduction in response to a nation-wide resurgence of COVID-19 cases in late-2020, resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions and the cancellation or postponement of events.

Despite recent approval and initial distribution of vaccines, both the pandemic and the containment and mitigation measures have had, and are likely to continue to have, an adverse impact on the global and U.S. economies, the severity and duration of which are uncertain. It is likely that government stabilization efforts will only partially mitigate the consequences to the economy. As such, both the pandemic and containment and mitigation measures may adversely affect our business, operations and financial condition by, among other things, reducing demand for our applications, impairing the productivity of our workforce, and reducing our access to capital. The extent to which the COVID-19 pandemic will impact our business, financial conditions, and results of operations in the future remains uncertain and will be affected by a number of factors. These include the duration and extent of the pandemic, the duration and extent of imposed or recommended containment and mitigation measures, the extent, duration, and effective execution of government stabilization and recovery efforts, including those from the successful distribution of effective vaccines.

The COVID-19 pandemic may have long-term effects on the nature of the office environment and remote working. This may present operational and workplace culture challenges that may adversely affect our business. However, we are committed to our employees returning to the workplace in the long-term. Throughout the year ended December 31, 2020 and through the filing of this Annual Report, we have encouraged safe practices designed to stem the infection and spread of COVID-19 within our workforce and beyond and to maintain the mental health and well-being of our employees. Beginning in March 2020, in an effort to protect our employees and comply with applicable government orders, we restricted non-essential employee travel and transitioned our employees to a remote work environment. We currently expect the majority of our employees will continue working remotely at least through the second quarter of 2021. Our workforce has continued to effectively develop and support our product and service offerings notwithstanding the current environment.

We began the year ended December 31, 2020 with healthy demand for our products and services, many of which are designed to enable our customers to manage their businesses virtually. In the three months ended June 30, 2020, we experienced some uncertainty regarding whether there would be variability in demand for the services we provide on our platform after lock-down measures were implemented. We expect demand variability for our products and services may continue as a result of the COVID-19 pandemic; however, our sales team reported a higher level of interest in our products and services during the year ended December 31, 2020. Although the impact has not been material to date, a prolonged downturn in economic conditions could have a material adverse effect on our customers and demand for our services.

We continue to actively communicate with and listen to our customers to ensure we are responding to their needs in the current environment with innovative solutions that will not only be beneficial now but also over the long-term. We monitor developments related to COVID-19 and remain flexible in our response to the challenges presented by the pandemic. To mitigate the adverse impact COVID-19 may have on our business and operations, we implemented a number of measures in the year ended December 31, 2020 to protect the health and safety of our employees, as well as to strengthen our financial position. These efforts include eliminating, reducing, or deferring non-essential expenditures, as well as complying with local and state government recommendations to protect our workforce.

### **Results of Operations**

#### ***Fiscal Year Ended December 31, 2020 compared to the Fiscal Year Ended December 31, 2019***

The following is a comparison of the results of our operations for the year ended December 31, 2020 and 2019.

	<u>Year Ended December 31, 2020</u>	<u>Year Ended December 31, 2019</u>	<u>Change</u>
<b>Revenue</b>			
SaaS recurring subscription revenue	\$ 5,114,000	\$ 2,815,000	2,299,000
Other digital revenue	1,384,000	1,425,000	(41,000)
Design, printing, and fulfillment	2,744,000	3,913,000	(1,169,000)
Shipping	<u>723,000</u>	<u>947,000</u>	<u>(224,000)</u>
Total revenue	<u>9,965,000</u>	<u>9,100,000</u>	<u>865,000</u>

<b>Cost of Revenue</b>			
Digital	1,416,000	660,000	756,000
Design, printing, and fulfillment	2,701,000	3,273,000	(572,000)
Shipping	684,000	937,000	(253,000)
Total cost of revenue	<u>4,801,000</u>	<u>4,870,000</u>	<u>(69,000)</u>
<b>Gross margin</b>	<b><u>5,164,000</u></b>	<b><u>4,230,000</u></b>	<b><u>934,000</u></b>
<b>Operating expenses</b>			
Research and development	7,933,000	4,312,000	3,621,000
Depreciation and amortization	1,510,000	1,042,000	468,000
General and administrative	20,458,000	14,710,000	5,748,000
Total operating expenses	<u>29,901,000</u>	<u>20,064,000</u>	<u>9,837,000</u>
Loss from operations	<u>(24,737,000)</u>	<u>(15,834,000)</u>	<u>(8,903,000)</u>
<b>Other income (expense), net</b>			
Other income (expense)	102,000	(11,000)	113,000
Financing costs	(248,000)	(1,625,000)	1,377,000
Interest expense - amortization of debt discount	(493,000)	(1,658,000)	1,165,000
Change in fair value of derivative liability	574,000	1,862,000	(1,288,000)
Debt extinguishment, net	-	1,536,000	(1,536,000)
Interest expense	(153,000)	(186,000)	33,000
Total other expense, net	<u>(218,000)</u>	<u>(82,000)</u>	<u>(136,000)</u>
Income tax provision	<u>1,000</u>	<u>2,000</u>	<u>(1,000)</u>
<b>Net loss</b>	<b><u>(24,956,000)</u></b>	<b><u>(15,918,000)</u></b>	<b><u>9,038,000</u></b>
Deemed dividend to Series A preferred stockholders	<u>(3,951,000)</u>	<u>-</u>	<u>(3,951,000)</u>
<b>Net loss to common stockholders</b>	<b><u>\$ (28,907,000)</u></b>	<b><u>\$ (15,918,000)</u></b>	<b><u>\$ (12,989,000)</u></b>

## Revenue

Total revenue for the year ended December 31, 2020 was \$10.0 million, compared to \$9.1 million for the year ended December 31, 2019. The increase in revenue is attributed to the addition of new clients and the expansion of existing clients for access to one or more of our suite of software products on our sales enablement platform. Those products now include verbCRM, verbLEARN, verb TEAMS, and verbLIVE. The revenue we derive from these products is divided into two main categories: digital revenue and non-digital revenue. Within the digital revenue category, we have two forms of revenue. The first is SaaS recurring digital revenue based on contract-based subscriptions to our products and platform services. The second is non-SaaS, non-recurring digital revenue which is revenue generated by use of our apps and in-app purchases, such as sampling and other services obtained through the app. Non-digital revenue is revenue we generate from non-app, non-digital sources through ancillary services we provide as an accommodation to our clients and customers. These include printing and shipping services which we now outsource to a strategic partner as part of a cost reduction plan we instituted in 2020.

Total digital revenue for the year ended December 31, 2020 was \$6.5 million, compared to \$4.2 million for the year ended December 31, 2019. This consisted of SaaS recurring subscription-based revenue associated with our verbCRM, verbLEARN, and verbTEAMS applications of \$5.1 million compared to \$2.8 million in 2019. There was no revenue for verbLIVE in 2020 as it was launched commercially in 2021. Non-subscription digital revenue for the year ended December 31, 2020 was virtually flat compared to December 31, 2019.

Total non-digital revenue for the year ended December 31, 2020 was \$3.5 million, compared to \$4.9 million for the year ended December 31, 2019. Total non-digital revenue for 2020 consisted of revenue generated from the design and printing of welcome kits/starter kits that our clients use for new sales reps, fulfillment of various custom products our clients use for marketing purposes and at conferences of \$2.7 million; and shipping fees associated with client welcome kits and fulfillment of \$723,000.

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

	2019 Quarterly Revenue				2020 Quarterly Revenue			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
SaaS recurring subscription revenue	\$ 9,000	\$ 858,000	\$ 953,000	\$ 995,000	1,057,000	1,274,000	1,478,000	1,305,000*
Other digital revenue	-	596,000	485,000	344,000	400,000	406,000	360,000	218,000
<b>Total digital revenue</b>	<b>\$ 9,000</b>	<b>\$ 1,454,000</b>	<b>\$ 1,438,000</b>	<b>\$ 1,339,000</b>	<b>1,457,000</b>	<b>1,680,000</b>	<b>1,838,000</b>	<b>1,523,000</b>
Design, printing, and fulfillment	-	1,784,000	1,164,000	965,000	728,000	713,000	836,000	467,000
Shipping	-	495,000	271,000	181,000	169,000	259,000	186,000	109,000
<b>Total non-digital revenue</b>	<b>\$ -</b>	<b>\$ 2,279,000</b>	<b>\$ 1,435,000</b>	<b>\$ 1,146,000</b>	<b>897,000</b>	<b>972,000</b>	<b>1,022,000</b>	<b>576,000</b>
<b>Grand total</b>	<b>\$ 9,000</b>	<b>\$ 3,733,000</b>	<b>\$ 2,873,000</b>	<b>\$ 2,485,000</b>	<b>2,354,000</b>	<b>2,652,000</b>	<b>2,860,000</b>	<b>2,099,000</b>

\* The decrease in digital revenue is primarily attributed to the impact of COVID-19 on many of our customers, which magnified what is traditionally a business slowdown during holiday season. We also experienced an unusual loss of several customers which had a direct impact on our 4th quarter recurring revenue. Notably, however, as the year drew to a close, as of December 31, 2020, we had begun to see a meaningful uptick and return to more normalized business and sales activity with 14 new clients under contract that will launch in 2021, at which time we will recognize that revenue. Overall, we signed 62 new clients in 2020, representing approximately \$3.0 million of minimum contract value.

## Cost of Revenue



Total cost of revenue for the year ended December 31, 2020 was \$4.8 million, compared to \$4.9 million for 2019. The decrease in cost of revenue is primarily attributed by lower non-digital revenue for the year ended December 31, 2020 versus December 31, 2019 offset by an increase in digital cost of revenue attributed to additional enterprise customers on the platform and increased users within our existing customer base.

### Gross Margin

The shift in resources to our SaaS recurring subscription revenue reflects an increase in gross margin to 52% for the year ended December 31, 2020 versus 46% for the year ended December 31, 2019. The shift had a material impact on as gross margin increased \$934,000, while gross revenue increased \$865,000 for the year ended December 31, 2020 versus December 31, 2019.

### Operating Expenses

Research and development expenses were \$7.9 million for the year ended December 31, 2020, as compared to \$4.3 million for the year ended December 31, 2019. Research and development expenses primarily consisted of fees paid to employees and vendors contracted to perform research projects and develop technology. The increase in research and development is attributed the development of verbLIVE, plus enhancements to verbCRM and our core platform to facilitate native integrations with Salesforce, Microsoft, and other channel partners.

Depreciation and amortization expenses were \$1.5 million for the year ended December 31, 2020, as compared to \$1.0 million for the year ended December 31, 2019. The increase is associated with an additional three months of amortization in 2020 related to the intangible asset recorded as part of the acquisition of Verb Direct in April 2019, amortization of SoloFire intangible assets, and amortization of leasehold improvements related to our California office.

General and administrative expenses for the year ended December 31, 2020 were \$20.5 million, as compared to \$14.7 million for the year ended December 31, 2019. The increase in general and administrative expenses is primarily related to general and administration expenses attributed to an increase in stock compensation expense of \$1.9 million, an additional quarter of operations in 2020 for Verb Direct of \$1.1 million, expenses from SoloFire of \$809,000 primarily driven by retention bonuses, plus increases to support growth driven by labor related costs of \$697,000, professional services of \$631,000, marketing and promotion of \$493,000, and increased facility costs associated with our California office of \$175,000.

Other income (expense), net, for the year ended December 31, 2020 was (\$218,000), which was attributed to interest expense for amortization of debt discount of (\$493,000), financing costs of (\$248,000), and interest expense of (\$153,000), offset by a change in the fair value of derivative liability of \$574,000 and other income (expense), net of \$102,000. Other income (expense), net, for the year ended December 31, 2019 was (\$82,000), which was attributed to interest expense for amortization of debt discount of (\$1.7) million, financing costs of (\$1.6) million, interest expense of (\$186,000), other income (expense), net of (\$11,000), offset by a change in the fair value of derivative liability of \$1.9 million, and debt extinguishment of \$1.5 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, stock-based compensation, financing costs and changes in fair value of derivative liability.

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.

	Year Ended	
	December 31, 2020	December 31, 2019
Net loss	\$ (24,956,000)	\$ (15,918,000)
<b>Adjustments</b>		
Other expense	(102,000)	11,000
Stock compensation expense	6,119,000	4,178,000
Financing costs	248,000	1,625,000
Amortization of debt discount	493,000	1,658,000
Change in fair value of derivative liability	(574,000)	(1,862,000)
Debt extinguishment, net	-	(1,536,000)
Interest expense	153,000	186,000
Depreciation and amortization	1,510,000	1,042,000
Income tax provision	1,000	2,000
Total EBITDA adjustments	7,848,000	5,304,000
<b>Modified EBITDA</b>	<b>\$ (17,108,000)</b>	<b>\$ (10,614,000)</b>

The \$6.5 million decrease in modified EBITDA for the year ended December 31, 2020, compared to the same period in 2019, resulted from increased research and development, expenses related to SoloFire primarily driven by retention bonuses, an increase in professional services primarily attributed to the acquisition of SoloFire, labor related costs to support growth, marketing and promotion, increased facility costs associated with our California office, and twelve months of Verb Direct general and administrative expenses for the year ended December 31, 2020 versus the nine months of Verb Direct results in 2019, offset by an increase in gross margin.

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

- Modified EBITDA does not reflect our cash expenditures, or future requirements, for capital expenditures or contractual commitments;

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

## Liquidity and Capital Resources

### Going Concern

We have incurred operating losses and negative cash flows from operations since inception. We incurred a net loss of \$24,956,000 during the fiscal year ended December 31, 2020. We also utilized cash in operations of \$16,294,000 during the fiscal year ended December 31, 2020. As a result, our continuation as a going concern is dependent on our ability to obtain additional financing until we can generate sufficient cash flows from operations to meet our obligations. We intend to continue to seek additional debt or equity financing to continue our operations.

Our consolidated financial statements have been prepared on a going concern basis, which implies we may not continue to meet our obligations and continue our operations for the next twelve months. Our continuation as a going concern is dependent upon our ability to obtain necessary debt or equity financing to continue operations until we begin generating positive cash flow. In addition, our independent registered public accounting firm, in its report on our December 31, 2020 consolidated financial statements, has raised substantial doubt about our ability to continue as a going concern.

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

### Overview

As of December 31, 2020, we had cash of \$1,815,000. 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.

In April 2019, we closed our public offering that provided us with gross proceeds of approximately \$20,500,000 before deducting underwriting discounts and commissions and other estimated offering expenses payable by us. The proceeds were used to pay the \$15,000,000 cash portion of the acquisition price for Sound Concepts (now, Verb Direct), pay principal and interest amounts outstanding under convertible debt in the amount of \$2,025,000, pay commissions and other offering expenses related to the public offering in the amount of \$2,100,000, and pay other operating expenses.

On August 14, 2019, we entered into a purchase agreement with investors, pursuant to which we agreed to issue and sell up to an aggregate of 6,000 shares of our Series A Preferred Stock and the warrants to purchase an aggregate of up to 3.87 million shares of common stock (an amount equivalent to the number of shares of common stock into which the Series A Preferred Stock is initially convertible). Each share of Series A Preferred Stock is convertible, at any time and from time to time from and after the issuance date, at the holder's option into that number of shares of common stock equal to the stated value per share (or \$1,000) divided by the conversion price (initially, \$1.55); thus, initially, each share of Series A Preferred Stock is convertible into approximately 645 shares of common stock. The warrants have an initial exercise price of \$1.88 per share, subject to customary adjustments, are exercisable from and after six months after the date of issuance, and will expire five years from the date of issuance. We closed the offering on August 14, 2019, and issued 5,030 shares of Series A Preferred Stock and issued warrants to purchase up to 3,245,162 shares of common stock in connection therewith. We received gross proceeds equal to \$5,030,000.

On February 5, 2020, we initiated our private placement, which is for the sale and issuance of up to five million shares of our common stock at a per-share price of \$1.20, which amount represents a 20% discount to the \$1.50 closing price of our common stock on that day, and is memorialized by a subscription agreement.

On March 31, 2020 we closed our private placement. In total we issued 4,237,833 shares of common stock and netted \$4.4 million after fees and expenses.

On April 17, 2020, we received loan proceeds in the amount of approximately \$1,218,000 under the Paycheck Protection Program ("PPP"). The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act, provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of the qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period. Subsequent to December 31, 2020 the entire note and accrued interest was forgiven.

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

On March 15, 2021 the Company completed a registered direct offering with institutional investors for the purchase and sale of 9,375,000 shares of common stock at a purchase price of \$1.60 per share. Net proceeds were approximately \$14,000,000.

The following is a summary of our cash flows from operating, investing, and financing activities for the years ended December 31, 2020 and 2019:

	Year Ended	
	December 31, 2020	December 31, 2019
Cash used in operating activities	\$ (16,294,000)	\$ (8,118,000)
Cash used in investing activities	(88,000)	(14,589,000)
Cash provided by financing activities	17,214,000	23,056,000

Increase in cash

\$	832,000	\$	349,000
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**Cash Flows – Operating**

For the year ended December 31, 2020, our cash flows used in operating activities amounted to \$16.3 million, compared to cash used for the year ended December 31, 2019 of \$8.1 million. The change is attributed to the growth of the business, product development, inclusion of Verb Direct and SoloFire operating expenses, professional services, and a change in accounts payable, accrued expenses, and accrued interest of (\$1.3) million, prepaid expenses of (\$474,000) compared to December 31, 2019, offset by an increase in gross margin, a change in accounts receivable of \$820,000, deferred revenue and customer deposits of \$302,000, compared to December 31, 2019.

**Cash Flows – Investing**

For the year ended December 31, 2020, our cash flows used from investing activities amounted to \$88,000, which was primarily attributed to fixed asset purchases of \$317,000, offset by \$229,000 of cash acquired from the acquisition of Solofire. For the year ended December 31, 2019, our cash flows used from investing activities amounted to \$14.6 million, which was primarily attributed to the net cash paid as part of the acquisition of Verb Direct in April 2019 of \$14.4 million, plus fixed asset purchases of \$146,000.

**Cash Flows – Financing**

Our cash provided by financing activities for the year ended December 31, 2020 amounted to \$17.2 million, which represented \$16.8 million of net proceeds from the issuance of shares of our common stock, proceeds from warrant exercises of \$2.2 million, a paycheck protection program loan of \$1.2 million, advances on future receipts of \$728,000, and an economic injury disaster loan of \$150,000, all offset by (\$1.9) million of an acquisition note payable for Solofire, (\$1.8) million of payments against advance on future receipts, a (\$100,000) principal payment on related party debt. Our cash provided by financing activities for the year ended December 31, 2019 amounted to \$23.0 million, which represented \$18.5 million of net proceeds from the issuance of shares of our Common Stock, \$4.7 million of net proceeds from the issuance of shares of our Series A Preferred Stock, \$1.3 million of proceeds from notes payable, advances on future receipts of \$728,000, \$432,000 of proceeds from the issuance of convertible debt, \$58,000 of unsecured related party debt, and \$45,000 of proceeds from warrant exercises, partially offset by (\$2.0) million paid in connection with convertible notes outstanding, (\$630,000) paid in connection with notes outstanding, and (\$58,000) paid in connection with related party notes outstanding, and (\$7,000) of payments against advance on future receipts.

**Notes Payable – Related Parties**

We had the following related parties notes payable as of December 31, 2020:

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at December 31, 2020
Note (A)	December 1, 2015	February 8, 2021	12.0%	\$ 1,249,000	\$ 725,000
Note (B)	December 1, 2015	April 1, 2017	12.0%	112,000	112,000
Note (C)	April 4, 2016	June 4, 2021	12.0%	343,000	240,000
Total notes payable – related parties, net					1,077,000
Non-current					-
Current					\$ 1,077,000

- (A) On December 1, 2015, we issued a convertible note payable to Rory J. Cutaia, our Chief Executive Officer and then-majority stockholder, to consolidate all loans and advances made by Mr. Cutaia to our company as of that date. The note bears interest at a rate of 12% per annum, is secured by our assets, and will mature on February 8, 2021, as amended. A total of 30% of the original note balance or \$375,000 was convertible to common stock and was converted in 2018 while the remaining note balance of \$825,000 is not convertible. Subsequent to December 31, 2020 the Company extended the note to February 8, 2023.
- (B) On December 1, 2015, we issued a note payable to a former member of our board of directors, in the amount of \$112,000 representing unpaid consulting fees as of November 30, 2015. The note is unsecured, bears interest rate of 12% per annum, and matured in April 2017. As of December 31, 2020, the outstanding principal balance of the note was equal to \$112,000.
- (C) On April 4, 2016, we issued a convertible note to Mr. Cutaia, in the amount of \$343,000, to consolidate all advances made by Mr. Cutaia to our company during the period December 2015 through March 2016. A total of 30% of the original note balance or \$103,000 was convertible to common stock and was converted in 2018 while the remaining note balance of \$240,000 is not convertible. The note, as amended, bears interest at a rate of 12% per annum, is secured by our assets, and will mature on June 4, 2021.

During the year ended December 31, 2020, we recorded total interest expense of \$141,000 pursuant to the terms of the notes and paid \$100,000 of principal on note (A) and paid \$120,000 of interest.

**Deferred Incentive Compensation**

Note	Issuance Date	Maturity Date	Balance at December 31, 2020
Rory J. Cutaia (A)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	\$ 430,000
Rory J. Cutaia (B)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	324,000
Jeff Clayborne (A)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	125,000
Jeff Clayborne (B)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	163,000
Total deferred compensation payable – related parties, net			1,042,000
Non-current			(521,000)
Current			\$ 521,000

- (A) On December 23, 2019, we awarded Rory Cutaia, our Chief Executive Officer and Jeff Clayborne, our Chief Financial Officer annual incentive compensation of \$430,000 and \$125,000, respectively, for services rendered. We have determined that it is in our best interest and in the best interest of our stockholders to defer payments to Messrs. Cutaia and Clayborne. We will pay 50% of the annual incentive compensation on January 10, 2021 and the remaining 50% on January 10, 2022. Subsequent to December 31, 2020, the Company paid \$215,000 of the amount due and will pay the remaining \$63,000 during 2021.

(B) On December 23, 2019, we awarded Rory Cutaita, our Chief Executive Officer and Jeff Clayborne, our Chief Financial Officer a bonus for the successful up-listing to The NASDAQ Capital Market and the acquisition of Verb Direct totaling \$324,000 and \$162,000, respectively. We have determined that it is in our best interest and in the best interest of our stockholders to defer payments to Messrs. Cutaita and Clayborne. We will pay 50% of these awards on January 10, 2021 and the remaining 50% on January 10, 2022. Subsequent to December 31, 2020, the Company paid \$162,000 of the amount due and will pay the remaining \$82,000 during 2021.

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### Advance on Future Receipts

We had the following related parties notes payable as of December 31, 2020:

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at December 31, 2020
Note 3 (A)	June 30, 2020	February 25, 2021	10%	\$ 506,000	\$ 89,000
Note 4 (A)	June 30, 2020	February 25, 2021	10%	506,000	88,000
Total				\$ 1,012,000	177,000
Debt discount					(67,000)
Net					\$ 110,000

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

### 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 valuation of derivative liability, valuation of debt and equity instruments, share-based compensation arrangements and long-lived assets. Amounts could materially change in the future.

#### Derivative Financial Instruments

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

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.

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### Share Based Payment

We issue stock options, common stock, and equity interests as share-based compensation to employees and non-employees. We account for our share-based compensation to employees in accordance with FASB ASC 718 "Compensation – Stock Compensation." Stock-based compensation cost is measured at the grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service period. We value stock compensation based on the market price on the measurement date.

We value stock options using the Black-Scholes option pricing model. Assumptions used in the Black-Scholes model to value options issued during the years ended December 31, 2020 and 2019 are as follows:

	Year Ended December 31, 2020	Year Ended December 31, 2019
Expected life in years	3.0, 4.0 and 5.0	1.0, 2.0 and 5.0
Stock price volatility	255%-271%	180%-414%
Risk free interest rate	0.17-0.39%	1.51-2.75%
Expected dividends	0%	0%
Forfeiture rate	21.2 – 21.3%	22.48%

The risk-free interest rate was based on rates established by the Federal Reserve Bank. We use the historical volatility of our common stock to estimate the future volatility for our common stock. The expected dividend yield was based on the fact that we have not customarily paid dividends in the past and do not expect to pay dividends in the future.

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### Recently Issued Accounting Pronouncements

For a summary of our recent accounting policies, please refer to Note 2, *Summary of Significant Accounting Policies*, of the Notes to Financial Statements commencing on page F-10 of this Annual Report for management's discussion as to the impact of recent accounting pronouncements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable.

## ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Reference is made to the financial statements, which begin on page F-1 of this Annual Report.

## ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## ITEM 9A. 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 December 31, 2020. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of December 31, 2020.

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### Management's Annual Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over our financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Internal control over financial reporting is a process, including policies and procedures, designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with U.S. generally accepted accounting principles. Our management assessed our internal control over financial reporting using the criteria in Internal Control — Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Our system of internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

### Remediation of Material Weakness in Internal Control over Financial Reporting

Based on our evaluation under the framework issued by COSO, our management concluded that our internal control over financial reporting was ineffective as of December 31, 2019 based on such criteria. Deficiencies existed in the design or operation of our internal control over financial reporting that adversely affected our internal controls and that may be considered to be material weaknesses. The matters involving internal controls and procedures that our management considered to be material weaknesses were:

- (i) inadequate segregation of duties and effective risk assessment; and
- (ii) insufficient staffing resulting in financial statement closing process.

During fiscal 2020, we have taken remediation measures to address the material weaknesses relating to our internal control over financial reporting. Such remediation activities included the following:

- (i) adoption and implementing the NetSuite ERP (enterprise resource planning) and accounting system;
- (ii) updating the documentation of our internal control processes, including performing a formal risk assessment of our financial reporting processes; and
- (iii) implementing procedures to ensure segregation of duties and hiring additional resources to ensure appropriate review and oversight.

As a result of the remediation activities and controls in place as of December 31, 2020 described above, we have remediated the previously disclosed material weaknesses.

A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met under all potential conditions, regardless of how remote, and may not prevent or detect all errors and all fraud. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues, if any, within the Company have been 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. Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

### Changes in Internal Control over Financial Reporting

Other than the controls implemented to remediate the material weaknesses noted above, there were no additional, 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 year ended December 31, 2020 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## ITEM 9B. OTHER INFORMATION

None.

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## PART III

## ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

## Directors and Executive Officers

Each of our directors holds office until the next annual meeting of our stockholders or until his or her successor has been elected and qualified, or until his or her death, resignation, or removal. Our executive officers are appointed by our board of directors and hold office until their death, resignation, or removal from office.

Our directors and executive officers, their ages, positions held, and duration of such, are as follows:

Name	Position Held with Our Company	Age	Date First Elected or Appointed
Rory J. Cutaia	Chairman, President, Chief Executive Officer, Secretary, and Director	65	October 16, 2014
Jeffrey R. Clayborne	Chief Financial Officer and Treasurer	50	July 15, 2016
James P. Geiskopf	Lead Director	61	October 16, 2014
Philip J. Bond	Director	64	September 10, 2018
Kenneth S. Cragun	Director	60	September 10, 2018
Nancy Heinen	Director	64	December 20, 2019
Judy Hammerschmidt	Director	66	December 20, 2019

## Business Experience

The following is a brief account of the education and business experience of directors and executive officers during at least the past five years, indicating their principal occupation during the period, the name and principal business of the organization by which they were employed, and certain of their other directorships:

### *Rory J. Cutaia, Chairman of the Board, President, Chief Executive Officer, and Secretary*

Rory J. Cutaia has served as our Chairman of the Board, Chief Executive Officer, President, Secretary, and Treasurer since the formation of CMG, in which roles he has continued to serve through our October 2014 acquisition of bBooth USA to the present. Mr. Cutaia founded CMG in 2012 and bBooth, Inc. in 2014. In May 2014, CMG and bBooth, Inc. merged and became known as bBoothUSA, which entity was acquired in October 2014 by GSD, our predecessor. Prior to that, from October 2006 to August 2011, he was a partner and *Entrepreneur-in-Residence* at Corinthian Capital Group, Inc. (“Corinthian”), a private equity fund based in New York City that invested in middle-market, U.S. based companies. During his tenure at Corinthian, from June 2008 to October 2011, Mr. Cutaia was the co-founder and Executive Chairman of Allied Fiber, Inc., a company engaged in the construction of a nation-wide fiber-optic network, and from June 2007 to August 2011, Mr. Cutaia was the Chief Executive Officer of GreenFields Coal Company, a company engaged in the deployment of technology to recycle coal waste and clean-up coal waste sites. Before joining Corinthian, from January 2000 to October 2006, he founded and was the Chairman and Chief Executive Officer of The Telx Group, Inc. (“Telx”), a company engaged in the telecom carrier inter-connection, co-location, and data center business, which he sold in 2006. Before founding Telx, he was a practicing lawyer with Shea & Gould, a prominent New York City law firm. Mr. Cutaia obtained his Juris Doctorate degree from the Fordham University School of Law in 1985 and his Bachelor of Science, *magna cum laude*, in business management from the New York Institute of Technology in 1982.

We believe that Mr. Cutaia is qualified to serve on our board of directors because of his knowledge of our current operations, in addition to his education and business experiences described above.

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### *Jeffrey R. Clayborne, Chief Financial Officer and Treasurer*

Jeffrey R. Clayborne has served as our Chief Financial Officer since July 15, 2016. Mr. Clayborne is an experienced finance professional with an entrepreneurial spirit and proven record of driving growth and profit for both Fortune 50 and start-up companies. Prior to joining our company, Mr. Clayborne served as Chief Financial Officer and a consultant with Breath Life Healing Center from August 2015 to July 2016. From September 2014 to August 2015, he served as Vice President of Business Development of Incroud, Inc and from May 2012 to September 2014, Mr. Clayborne served as President of Blast Music, LLC. Prior to this, Mr. Clayborne was employed by Universal Music Group where he served as Vice President, Head of Finance & Business Development for Fontana, where he managed the financial planning and analysis of the sales and marketing division and led the business development department. He also served in senior finance positions at The Walt Disney Company, including Senior Finance Manager at Walt Disney International, where he oversaw financial planning and analysis for the organization in 37 countries. Mr. Clayborne began his career as a CPA at McGladrey & Pullen LLP (now, RSM US LLP), then at KPMG Peat Marwick (now, KPMG). He brings with him more than 25 years of experience in all aspects of strategy, finance, business development, negotiation, and accounting. Mr. Clayborne earned his Master of Business Administration degree from the University of Southern California, with high honors.

### *James P. Geiskopf, Director*

James P. Geiskopf has served as one of our directors since the formation of bBooth USA, in which role he has continued to serve through our October 2014 acquisition of bBooth USA by GSD, our predecessor, to the present. He also serves as our Lead Director. Mr. Geiskopf has 32 years of experience leading companies in the services industry. From 1975 to 1986, Mr. Geiskopf served as the Chief Financial Officer of Budget Rent a Car of Fairfield California and from 1986 to 2007, he served as its President and Chief Executive Officer. In 2007, he sold the franchise. Mr. Geiskopf served on the Board of Directors of Suisun Valley Bank from 1986 to 1993 and also served on the Board of Directors of Napa Valley Bancorp from 1991 to 1993, which was sold to a larger institution in 1993. Since 2014, Mr. Geiskopf has served on the board of directors of Currency Works, Inc., a public company that trades on the OTCQB. From June 2013 to March 16, 2017, the date of his resignation, Mr. Geiskopf served as a director of Electronic Cigarettes International Group, Ltd., or ECIG, a Nevada corporation, whose common stock was quoted on the over-the-counter market. ECIG filed a voluntary petition for relief under the provisions of Chapter 7 of Title 11 of the United States Code on March 16, 2017.

Mr. Geiskopf has significant and lengthy business experience including building, operating, and selling companies, serving on the boards of directors for several banks, and serving as a director and officer of several public companies. In these roles he acquired substantial business management, strategic, operational, human resource, financial, disclosure, compliance, and corporate governance skills. These were the primary reasons that we concluded that he should serve as one of our directors.

### *Philip J. Bond, Director*

Philip J. Bond was appointed as one of our directors effective September 10, 2018. On the same date, he was appointed as Chairman of the Governance and Nominating Committee and to serve on the Audit, Compensation, and Governance and Nominating Committees. In 2018, Mr. Bond co-founded Potomac International Partners, Inc., a multidisciplinary consulting firm and currently serves as its President of Government Affairs. In 2009, TechAmerica, a U.S.-based technology trade association, was formed from the merger of AeA, the Cyber Security Industry Alliance, the Government Electronics & Information Technology Association, and the Information Technology Association of America. Mr. Bond was appointed as the President of TechAmerica at the date of the merger, and later, in 2010, was appointed as its Chief Executive Officer. Prior to the merger, Mr. Bond served as the President and Chief Executive Officer of Information Technology Association of America from 2006 to 2008. From 2001 to 2005, Mr. Bond served as Undersecretary of Technology in the U.S. Department of Commerce for Technology. From 2002 to 2003, Mr. Bond served concurrently as Chief of Staff to Commerce Secretary Donald Evans. In his dual role, he worked closely with Secretary Evans to increase market access for U.S. goods and services and further advance America’s technological leadership at home and abroad. Mr. Bond oversaw the operations of the National Institute of Standards and Technology, the Office of Technology Policy, and the National Technical Information Service. During his tenure, the Technology Administration was the pre-eminent portal between the federal government and U.S. technology. Earlier in his career, Mr. Bond served as Senior Vice President of Government Relations for Monster Worldwide, the world’s largest online career site, and General Manager of Monster Government Solutions. Mr. Bond also served as Director of Federal Public Policy for the Hewlett-Packard Company; Senior Vice President for

Government Affairs and Treasurer of the Information Technology Industry Council; as Chief of Staff to the late Congresswoman Jennifer Dunn (R-WA); Principal Deputy Assistant Secretary of Defense for Legislative Affairs; Chief of Staff and Rules Committee Associate for Congressman Bob McEwen (R-OH); and as Special Assistant to the Secretary of Defense for Legislative Affairs. Mr. Bond is a graduate of Linfield College in Oregon and now serves on the school's board of trustees.

Mr. Bond has extensive experience in Washington D.C., where he is recognized for his leadership roles in the Executive branch of the government of the United States, at major high technology companies, and most recently as the Chief Executive Officer of TechAmerica, the largest technology advocacy association in the United States. Mr. Bond's unique leadership experience and expertise in government relations, were the primary reasons that we concluded that he should serve as one of our directors.

*Kenneth S. Cragun, Director*

Kenneth S. Cragun was appointed as one of our directors effective September 10, 2018. On the same date, he was appointed as Chairman of the Audit Committee, and to serve on the Compensation and Governance and Nominating Committees. Mr. Cragun was appointed as Chief Financial Officer of Ault Global Holdings, Inc. a diversified holding company, on August 19, 2020. Prior to his appointment as Chief Financial Officer, Mr. Cragun served as Ault Global Holdings' Chief Accounting Officer since October 1, 2018, and since January 2019, as the Chief Financial Officer and Treasurer for Alzamend Neuro, Inc., a biopharma company. Mr. Cragun also serves as a partner of Hardesty, LLC, a national executive services firm. He has been a partner of its Southern California Practice since October 2016. From January 2018 to September 2018, Mr. Cragun served as the Chief Financial Officer of CorVel Corporation, or CorVel. CorVel is an Irvine, California-based national provider of workers' compensation solutions for employers, third-party administrators, insurance companies, and government agencies. Mr. Cragun is a two-time finalist for the Orange County Business Journal's "CFO of the Year – Public Companies" and has more than 30 years of experience, primarily in the technology industry. He served as Chief Financial Officer of two NASDAQ-listed companies: Local Corporation (April 2009 to September 2016), formerly based in Irvine, California, which operated a U.S. top 100 website "Local.com" and, in June 2015, filed a voluntary petition in the United States Bankruptcy Court for the Central District of California seeking relief under the provisions of Chapter 11 of Title 11 of the United States Code, or Bankruptcy Code, and Modtech Holdings, Inc. (June 2006 to March 2009), formerly based in Perris, California. Mr. Cragun received his B.S. in Accounting from Colorado State University-Pueblo.

Mr. Cragun's industry experience is vast with extensive experience in fast-growth environments and building teams in more than 20 countries. Mr. Cragun has led multiple financing transactions, including IPOs, PIPEs, convertible debt, term loans, and lines of credit. For these reasons, we believe that he will provide additional breadth and depth to our board of directors.

*Nancy Heinen, Director*

Nancy Heinen was appointed as one of our directors effective December 20, 2019. Ms. Heinen is currently a board member, investor, strategy consultant, and startup advisor with more than 25 years of experience in senior executive roles in Silicon Valley. In 1997, she was recruited by Steve Jobs to join the executive team of Apple Inc. ("Apple"), and assisted in its turnaround. During Ms. Heinen's tenure at Apple, her responsibilities included all legal matters, including intellectual property litigation, acquisitions, corporate governance, and securities compliance, as well as global government affairs and corporate security. Previously, she served as General Counsel of NeXT Software, Inc., and Associate General Counsel at Tandem Computers, Inc. Ms. Heinen currently acts as Board Chair of First Place for Youth, is a board member and past board chair of SV2 – Silicon Valley Social Venture Fund, and serves on the advisory boards of Illuminate Ventures, University of California, Berkeley Center for Law and Business, and the Northern California Innocence Project. Ms. Heinen received her B.A. and J.D. from the University of California at Berkeley.

We believe that Ms. Heinen's legal experience, coupled with her senior executive experience, will provide a benefit to us, our stockholders, and our board of directors.

*Judy Hammerschmidt, Director*

Judy Hammerschmidt was appointed as one of our directors effective December 20, 2019. Ms. Hammerschmidt has spent the last 37 years as an international attorney. She began her career as a Special Assistant to two Attorneys General of the United States, focusing on international matters of interest to the U.S. government, including negotiating treaties and agreements with foreign governments. She then joined Dickstein, Shapiro & Morin, LLP, a Washington, D.C. firm, where she represented companies around the world as they expanded internationally in highly regulated environments. Her clients included Guess? Inc., Pfizer Inc., Merck & Co., Inc., the Receiver for Bank of Credit and Commerce International of the United Arab Emirates, Recycled Paper Products, Inc., and Herbalife Nutrition Ltd. ("Herbalife"). She provided structuring, growth, and regulatory advice for these and other companies. She joined Herbalife as Vice President and General Counsel of Europe in 1994, becoming Executive Vice President and International Chief Counsel in 1996. In 2002, she was part of the management group that sold Herbalife. Since that time, she has served as outside counsel to a series of entrepreneurial companies looking to expand internationally, primarily in the food and drug/nutritional supplements space. In addition, Ms. Hammerschmidt was a Principal in JBT, LLC, a privately held company that owned "mindful dining" restaurants in the Washington, D.C. area. Those properties were sold in 2010. She expects to continue to act as outside counsel for small companies while serving on our board of directors. We believe that Ms. Hammerschmidt's legal experience, generally, and her experience with certain of her previous or client relationships, specifically, will provide a benefit to us, our stockholders, and our board of directors.

**Family Relationships**

There are no family relationships among any of our directors or executive officers.

**Delinquent Section 16(a) Reports**

Section 16(a) of the Exchange Act requires our officers and directors and persons who beneficially own more than 10% of the outstanding shares of our common stock to file reports of ownership and changes in ownership concerning their shares of our common stock with the SEC and to furnish us with copies of all Section 16(a) forms they file. We are required to disclose delinquent filings of reports by such persons.

Based solely on the copies of such reports and amendments thereto received by us, or written representations that no filings were required, we believe that all Section 16(a) filing requirements applicable to our executive officers and directors and 10% stockholders were met for the year ended December 31, 2020, except as set forth below.

Mr. Cutaia acquired an aggregate 250,000 pre-split options to purchase our common stock on January 8, 2019 and filed the Form 4 on January 11, 2019.

**Corporate Governance**

*Code of Ethics*

In 2014, our board of directors approved and adopted a code of ethics and business conduct for directors, senior officers, and employees, or code of ethics, that applies to all of our directors, officers, and employees, including our principal executive officer and principal financial officer. The code of ethics addresses such individuals' conduct with respect to, among other things, conflicts of interests; compliance with applicable laws, rules, and regulations; full, fair, accurate, timely, and understandable disclosure by us; competition and fair dealing; corporate opportunities; confidentiality; protection and proper use of our assets; and reporting suspected illegal or unethical behavior. The code of ethics is available on our website at <https://www.verb.tech/investor-relations/governance/code-of-ethics>.

On August 14, 2018, our board of directors amended and restated the Audit Committee charter to govern the Audit Committee. Currently, Messrs. Geiskopf, Bond, and Cragun (Chairman) serve on the Audit Committee and each meets the independence requirements of The NASDAQ Capital Market and the SEC. Mr. Cragun qualifies as an “audit committee financial expert.”

The Audit Committee charter requires that each member of the Audit Committee meet the independence requirements of The NASDAQ Capital Market and the SEC and requires the Audit Committee to have at least one member that qualifies as an “audit committee financial expert.” In addition to the enumerated responsibilities of the Audit Committee in the Audit Committee charter, the primary function of the Audit Committee is to assist the board of directors in its general oversight of our accounting and financial reporting processes, audits of our financial statements, and internal control and audit functions. The Audit Committee charter can be found online at <https://www.verb.tech/investor-relations/governance/audit>.

*Compensation Committee*

On August 14, 2018, our board of directors approved and adopted a charter to govern the Compensation Committee. Currently, Messrs. Geiskopf (Chairman), Bond, Cragun, Heinen, and Hammerschmidt serve as members of the Compensation Committee and each meets the independence requirements of The NASDAQ Capital Market and the SEC, qualifies as a “non-employee director” within the meaning of Rule 16b-3 under the Exchange Act, and qualifies as an outside director within the meaning of Section 162(m) of the Internal Revenue Code of 1986, as amended. In addition to the enumerated responsibilities of the Compensation Committee in the Compensation Committee charter, the primary function of the Compensation Committee is to oversee the compensation of our executives, produce an annual report on executive compensation for inclusion in our proxy statement, if and when required by applicable laws or regulations, and advise our board of directors on the adoption of policies that govern our compensation programs. The Compensation Committee charter may be found online at <https://www.verb.tech/investor-relations/governance/compensation-committee>.

*Governance and Nominating Committee*

On August 14, 2018, our board of directors approved and adopted a charter to govern the Governance and Nominating Committee. Currently, Messrs. Geiskopf, Bond (Chairman), Cragun, Heinen, and Hammerschmidt serve as members of the Governance and Nominating Committee and each meets the independence requirements of The NASDAQ Capital Market and the SEC. The Governance and Nominating Committee charter requires that each member of the Governance and Nominating Committee meet the independence requirements of The NASDAQ Capital Market and the SEC. In addition to the enumerated responsibilities of the Governance and Nominating Committee in the Governance and Nominating Committee charter, the primary function of the Governance and Nominating Committee is to determine the slate of director nominees for election to the board of directors, to identify and recommend candidates to fill vacancies occurring between annual stockholder meetings, to review our policies and programs that relate to matters of corporate responsibility, including public issues of significance to us and our stockholders, and any other related matters required by federal securities laws. The charter of the Governance and Nominating Committee may be found online <https://www.verb.tech/investor-relations/governance/governance-and-nominating-committee>.

*Compensation Committee Interlocks and Insider Participation*

No interlocking relationship exists between our board of directors and the board of directors or compensation committee of any other company, nor has any interlocking relationship existed in the past.

*Orientation and Continuing Education*

We have an informal process to orient and educate new directors to the board regarding their role on the board, our committees and our directors, as well as the nature and operations of our business. This process provides for an orientation with key members of the management staff, and further provides access to materials necessary to inform them of the information required to carry out their responsibilities as a board member. This information includes the most recent board approved budget, the most recent annual report, copies of the audited financial statements and copies of the interim quarterly financial statements.

The board does not provide continuing education for its directors. Each director is responsible to maintain the skills and knowledge necessary to meet his obligations as a director.

*Nomination of Directors*

As of March 26, 2020, we had not effected any material changes to the procedures by which our stockholders may recommend nominees to our board of directors. Our board of directors does not have a policy with regards to the consideration of any director candidates recommended by our stockholders. Our board of directors has determined that it is in the best position to evaluate our requirements as well as the qualifications of each candidate when the board considers a nominee for a position on our board of directors. Accordingly, we do not currently have any specific or minimum criteria for the election of nominees to our board of directors and we do not have any specific process or procedure for evaluating such nominees. Our board of directors assesses all candidates, whether submitted by management or stockholders, and makes recommendations for election or appointment. If stockholders wish to recommend candidates directly to our board, they may do so by sending communications to our president at the address on the cover page of this Annual Report. If stockholders wish to recommend candidates directly to our board, they may do so by sending communications to the president of our company at the address on the cover of this Annual Report.

*Other Board Committees*

Other than our Audit Committee, Compensation Committee, and Governance and Nominating committee, we have no committees of our board of directors. We do not have any defined policy or procedure requirements for our stockholders to submit recommendations or nominations for directors.

*Assessments*

The board intends that individual director assessments be conducted by other directors, taking into account each director’s contributions at board meetings, service on committees, experience base, and their general ability to contribute to one or more of our major needs. However, due to our stage of development and our need to deal with other urgent priorities, the board has not yet implemented such a process of assessment.

**ITEM 11. EXECUTIVE COMPENSATION**

**Summary Compensation Table**

The table and discussion below present compensation information for our following executive officers, which we refer to as our “named executive officers”:



- Rory J. Cutaia, our Chairman, President, Chief Executive Officer, and Secretary; and
- Jeffrey R. Clayborne, our Chief Financial Officer.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards <sup>(1)</sup> (\$)	Option Awards <sup>(2)</sup> (\$)	All Other Compensation (\$)	Total (\$)
Rory J. Cutaia <sup>(3)</sup>	2020	452,000	590,000 <sup>(4)</sup>	722,000 <sup>(5)</sup>	-	-	1,764,000 <sup>(6)</sup>
	2019	476,000	754,000 <sup>(7)</sup>	752,000 <sup>(8)</sup>	959,000	-	2,941,000 <sup>(6)</sup>
Jeffrey R. Clayborne <sup>(9)</sup>	2020	234,000	150,000 <sup>(10)</sup>	391,000 <sup>(11)</sup>	-	-	775,000 <sup>(12)</sup>
	2019	173,000	287,000 <sup>(13)</sup>	496,000 <sup>(14)</sup>	338,000	-	1,294,000 <sup>(12)</sup>

- (1) For valuation purposes, the dollar amount shown is calculated based on the market price of our common stock on the grant dates. The number of shares granted, the grant date, and the market price of such shares for each named executive officer is set forth below.
- (2) For valuation assumptions on stock option awards, refer to Note 2 of our audited consolidated financial statements for the year ended December 31, 2020 of this Annual Report. The disclosed amounts reflect the fair value of the stock option awards that were granted during fiscal years ended December 31, 2020 and 2019 in accordance with FASB ASC Topic 718.
- (3) Mr. Cutaia was appointed as Chairman of the Board, President, Chief Executive Officer, Secretary, and Treasurer on October 16, 2014.
- (4) Represents an annual incentive bonus of (i) \$490,000 for the successful closing of our March 31, 2020 private placement and (ii) \$100,000 for the July 24, 2020 underwritten public offering of our common stock.
- (5) Represents an annual incentive bonus of (i) 471,698 restricted stock units for the successful closing of our March 31, 2020 private placement (ii) 166,365 restricted stock units for the July 24, 2020 underwritten public offering of our common stock, and (iii) 31,030 restricted stock units as part of the Company's COVID-19 Full Employment and Cash Preservation Plan.
- (6) As of December 31, 2020 and 2019, Mr. Cutaia had accrued but unpaid compensation equal to \$697,000 and \$207,000, respectively.
- (7) Represents an annual incentive bonus of (i) \$430,000 for up-listing to The NASDAQ Capital Market and (ii) \$324,000 for the acquisition of Verb Direct.
- (8) Represents an annual incentive bonus of (i) 352,827 restricted stock awards for up-listing to The NASDAQ Capital Market and (ii) 200,000 restricted stock awards for the acquisition of Verb Direct.
- (9) Mr. Clayborne was appointed as Chief Financial Officer on July 15, 2016.
- (10) Represents an annual incentive bonus of (i) \$125,000 for the successful closing our March 31, 2020 private placement and (ii) \$25,000 for the July 24, 2020 underwritten public offering of our common stock.
- (11) Represents an annual incentive bonus of (i) 283,019 restricted stock units for the successful closing of our March 31, 2020 private placement, (ii) 63,288 restricted stock units for the July 24, 2020 underwritten public offering of our common stock, and (iii) 16,303 restricted stock units as part of the Company's COVID-19 Full Employment and Cash Preservation Plan.
- (12) As of December 31, 2020 and 2019, Mr. Clayborne had accrued but unpaid compensation equal to \$125,000 and \$0, respectively.
- (13) Represents an annual incentive bonus of (i) \$125,000 for up-listing to The NASDAQ Capital Market and (ii) \$162,000 for the acquisition of Verb Direct.
- (14) Represents an annual incentive bonus of (i) 264,620 restricted stock awards for up-listing to The NASDAQ Capital Market and (ii) 100,000 restricted stock awards and the acquisition of Verb Direct.

#### Narrative Disclosure to Summary Compensation Table

The following is a discussion of the material information that we believe is necessary to understand the information disclosed in the foregoing Summary Compensation Table.

#### Rory J. Cutaia

On December 20, 2019, we entered into an executive employment agreement with Mr. Cutaia. The employment agreement is for a four-year term, and can be extended for additional one-year periods. In addition to certain payments due to Mr. Cutaia upon termination of employment, the employment agreement contains customary non-competition, non-solicitation, and confidentiality provisions. Mr. Cutaia is entitled to an annual base salary of \$430,000, which shall not be subject to reduction during the initial term, but will be subject to annual reviews and increases, if and as approved in the sole discretion of our board of directors, after it has received and reviewed advice from the Compensation Committee (who may or may not utilize the services of its outside compensation consultants, as it shall determine under the circumstances). In addition, Mr. Cutaia is eligible to receive performance-based cash and/or stock bonuses upon attainment of performance targets established by our board of directors in its sole discretion, after it has received and reviewed advice from the Compensation Committee (who may or may not utilize the services of its outside compensation consultants, as it shall determine under the circumstances). We must make annual equity grants to Mr. Cutaia as determined by our board of directors in its sole discretion, after it has received and reviewed advice from the Compensation Committee (who may or may not utilize the services of its outside compensation consultants, as it shall determine under the circumstances). Finally, Mr. Cutaia is eligible for certain other benefits, such as health, vision, and dental insurance, life insurance, and 401(k) matching.

Mr. Cutaia earned total cash compensation for his services to us in the amount of \$452,000 and \$476,000 for the fiscal years ending December 31, 2020 and 2019, respectively.

In fiscal 2020, Mr. Cutaia earned an annual incentive bonus totaling \$490,000.

On April 10, 2020, we granted Mr. Cutaia a restricted stock unit totaling \$37,000 payable in 31,030 shares of our common stock as part of the Company's COVID-19 Full Employment and Cash Preservation Plan. The restricted stock unit vested on July 15, 2020 at the completion of the plan. The price per share was \$1.198, which was the 21-day volume weighted average price as reported by The NASDAQ Capital Market. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.47 and was used to calculate fair market value.

On July 29, 2020, Mr. Cutaia earned an incentive bonus totaling \$100,000 for the successful closing of our March 31, 2020 private placement and the July 24, 2020 underwritten public offering of our common stock, respectively.

On July 29, 2020, we granted Mr. Cutaia a restricted stock unit totaling \$500,000 payable in 471,698 shares of our common stock. The restricted stock unit is subject to a four-year vesting period, with 25% of the award vesting on the first, second, third, and fourth anniversaries from the grant date. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.06 and was used to calculate fair market value.

On July 29, 2020, we granted Mr. Cutaia a restricted stock unit totaling \$176,000 payable in 166,365 shares of our common stock. The restricted stock unit vested on grant date. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.06 and was used to calculate fair market value.

In fiscal 2019, Mr. Cutaia earned an annual incentive bonus totaling \$430,000 and \$324,000 for up-listing to The NASDAQ Capital Market and the acquisition of Verb Direct, respectively. We have determined that it is in our best interest and in the best interest of our stockholders to defer payments to Mr. Cutaia. We will pay 50% on January 10, 2021 and the remaining 50% on January 9, 2022.

On January 9, 2019, we granted Mr. Cutaia a stock option to purchase up to 16,667 shares of our common stock at an exercise price of \$4.35 per share. Half the option vested on the grant date, and the remaining half vested on January 9, 2020. The option will expire on January 8, 2024.

On December 23, 2019, we granted Mr. Cutaia a restricted stock award totaling \$400,000 payable in 352,827 shares of our common stock. The restricted stock award is subject to a four-year vesting period, with 25% of the award vesting on the first, second, third, and fourth anniversaries from the grant date. The price per share was \$1.13, which was the 30-day volume weighted average price as reported by The NASDAQ Capital Market. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.36 and was used to calculate fair market value.

On December 23, 2019, we granted Mr. Cutaia a restricted stock award totaling \$272,000 payable in 200,000 shares of our common stock for up-listing to The NASDAQ Capital Market and the acquisition of Verb Direct. The restricted stock award vests 25% on the grant date and 25% on the first, second, and third anniversaries from the grant date. The price per share was \$1.13, which was the 30-day volume weighted average price as reported by The NASDAQ Capital Market. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.36 and was used to calculate fair market value.

On December 23, 2019, we granted Mr. Cutaia a stock option to purchase up to 332,730 shares of our common stock at an exercise price of \$1.13 per share. The option is not currently vested, but will vest in full on January 10, 2021, and will expire on January 10, 2021. On December 23, 2019, we granted Mr. Cutaia a stock option to purchase up to 332,730 shares of our Common Stock at an exercise price of \$1.13 per share. The option is not currently vested, but will vest in full on January 10, 2022, and will expire on January 10, 2022.

As of December 31, 2020 and 2019, Mr. Cutaia had accrued but unpaid compensation equal to \$697,000 and \$207,000, respectively.

#### *Jeffrey R. Clayborne*

Mr. Clayborne earned total cash compensation for his services to us in the amount of \$234,000 and \$173,000 for the fiscal years ending December 31, 2020 and 2018, respectively.

In fiscal 2020, Mr. Clayborne earned an annual incentive bonus totaling \$125,000.

On April 10, 2020, we granted Mr. Clayborne a restricted stock unit totaling \$20,000 payable in 16,303 shares of our common stock as part of the Company's COVID-19 Full Employment and Cash Preservation Plan. The restricted stock unit vested on July 15, 2020 at the completion of the plan. The price per share was \$1.198, which was the 21-day volume weighted average price as reported by The NASDAQ Capital Market. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.47 and was used to calculate fair market value.

On July 29, 2020, Mr. Clayborne earned an incentive bonus totaling \$25,000 for the successful closing of our March 31, 2020 private placement and the July 24, 2020 underwritten public offering of our common stock, respectively.

On July 29, 2020, we granted Mr. Clayborne a restricted stock unit totaling \$300,000 payable in 283,019 shares of our common stock. The restricted stock unit is subject to a four-year vesting period, with 25% of the award vesting on the first, second, third, and fourth anniversaries from the grant date. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.06 and was used to calculate fair market value.

On July 29, 2020, we granted Mr. Clayborne a restricted stock unit totaling \$67,000 payable in 63,288 shares of our common stock. The restricted stock unit vested on grant date. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.06 and was used to calculate fair market value.

In fiscal 2019, Mr. Clayborne earned an annual incentive bonus totaling \$125,000 and \$162,000 for up-listing to The NASDAQ Capital Market and the acquisition of Verb Direct, respectively. We have determined that it is in our best interest and in the best interest of our stockholders to defer payments to Mr. Clayborne. We will pay 50% on January 10, 2021 and the remaining 50% on January 10, 2022.

On December 23, 2019, we granted Mr. Clayborne a restricted stock award totaling \$300,000 payable in 264,620 shares of our common stock. The restricted stock award is subject to a four-year vesting period, with 25% of the award vesting on the first, second, third, and fourth anniversaries from the grant date. The price per share was \$1.13, which was the 30-day volume weighted average price as reported by The NASDAQ Capital Market. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.36 and was used to calculate fair market value.

On December 23, 2019, we granted Mr. Clayborne a restricted stock award totaling \$136,000 payable in 100,000 shares of our common stock for up-listing to The NASDAQ Capital Market and the acquisition of Verb Direct. The restricted stock award vests 25% on the grant date and 25% on the first, second, and third anniversaries from the grant date. The price per share was \$1.13, which was the 30-day volume weighted average price as reported by The NASDAQ Capital Market. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.36 and was used to calculate fair market value.

On December 23, 2019, we granted Mr. Clayborne a stock option to purchase up to 126,672 shares of our common stock at an exercise price of \$1.13 per share. The option is not currently vested, but will vest in full on January 10, 2021, and will expire on January 10, 2021. On December 23, 2019, we granted Mr. Clayborne a stock option to purchase up to 126,672 shares of our common stock at an exercise price of \$1.13 per share. The option is not currently vested, but will vest in full on January 10, 2022, and will expire on January 10, 2022.

As of December 31, 2020 and 2019, Mr. Clayborne had accrued but unpaid compensation equal to \$125,000 and \$0, respectively.

#### **2019 Omnibus Incentive Plan**

On November 11, 2019, our board of directors approved our 2019 Omnibus Incentive Plan, or Incentive Plan, and on December 20, 2019, our stockholders approved and

adopted the Incentive Plan. The material terms of the Incentive Plan are summarized below.

On September 2, 2020, our board of directors approved an additional 8,000,000 shares of our common stock to be authorized for awards granted under the Incentive Plan, and on October 16, 2020, our stockholders approved the additional 8,000,000 shares of our common stock to be authorized for awards granted under the Incentive Plan.

### **General**

The purpose of the Incentive Plan is to enhance stockholder value by linking the compensation of our officers, directors, key employees, and consultants to increases in the price of our common stock and the achievement of other performance objectives and to encourage ownership in our company by key personnel whose long-term employment is considered essential to our continued progress and success. The Incentive Plan is also intended to assist us in recruiting new employees and to motivate, retain, and encourage such employees and directors to act in our stockholders' interest and share in our success.

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### **Term**

The Incentive Plan became effective upon approval by our stockholders and will continue in effect from that date until it is terminated in accordance with its terms.

### **Administration**

The Incentive Plan may be administered by our board of directors, a committee designated by it, and/or their respective delegates. Currently, our Compensation Committee administers the Incentive Plan. The administrator has the power to determine the directors, employees, and consultants who may participate in the Incentive Plan and the amounts and other terms and conditions of awards to be granted under the Incentive Plan. All questions of interpretation and administration with respect to the Incentive Plan will be determined by the administrator. The administrator also will have the complete authority to adopt, amend, rescind, and enforce rules and regulations pertaining to the administration of the Incentive Plan; to correct administrative errors; to make all other determinations deemed necessary or advisable for administering the Incentive Plan and any award granted under the Incentive Plan; and to authorize any person to execute, on behalf of us, all agreements and documents previously approved by the administrator, among other items.

### **Eligibility**

Any of our directors, employees, or consultants, or any directors, employees, or consultants of any of our affiliates (except that with respect to incentive stock options, only employees of us or any of our subsidiaries are eligible), are eligible to participate in the Incentive Plan.

### **Available Shares**

Subject to the adjustment provisions included in the Incentive Plan, a total of 16,000,000 shares of our common stock are authorized for awards granted under the Incentive Plan. Shares subject to awards that have been canceled, expired, settled in cash, or not issued or forfeited for any reason (in whole or in part), will not reduce the aggregate number of shares that may be subject to or delivered under awards granted under the Incentive Plan and will be available for future awards granted under the Incentive Plan.

### **Types of Awards**

We may grant the following types of awards under the Incentive Plan: stock awards; options; stock appreciation rights; stock units; or other stock-based awards.

**Stock Awards.** The Incentive Plan authorizes the grant of stock awards to eligible participants. The administrator determines (i) the number of shares subject to the stock award or a formula for determining such number, (ii) the purchase price of the shares, if any, (iii) the means of payment for the shares, (iv) the performance criteria, if any, and the level of achievement versus these criteria, (v) the grant, issuance, vesting, and/or forfeiture of the shares, (vi) restrictions on transferability, and such other terms and conditions determined by the administrator.

**Options.** The Incentive Plan authorizes the grant of non-qualified and/or incentive options to eligible participants, which options give the participant the right, after satisfaction of any vesting conditions and prior to the expiration or termination of the option, to purchase shares of our common stock at a fixed price. The administrator determines the exercise price for each share subject to an option granted under the Incentive Plan, which exercise price cannot be less than the fair market value (as defined in the Incentive Plan) of our common stock on the grant date. The administrator also determines the number of shares subject to each option, the time or times when each option becomes exercisable, and the term of each option (which cannot exceed ten (10) years from the grant date).

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**Stock Appreciation Rights.** The Incentive Plan authorizes the grant of stock appreciation rights to eligible participants, which stock appreciation rights give the participant the right, after satisfaction of any vesting conditions and prior to the expiration or termination of the stock appreciation right, to receive in cash or shares of our common stock the excess of the fair market value (as defined in the Incentive Plan) of our common stock on the date of exercise over the exercise price of the stock appreciation right. All stock appreciation rights under the Incentive Plan shall be granted subject to the same terms and conditions applicable to options granted under the Incentive Plan. Stock appreciation rights may be granted to awardees either alone or in addition to or in tandem with other awards granted under the Incentive Plan and may, but need not, relate to a specific option granted under the Incentive Plan.

**Stock Unit Awards and Other Stock-Based Awards.** In addition to the award types described above, the administrator may grant any other type of award payable by delivery of our common stock in such amounts and subject to such terms and conditions as the administrator determines in its sole discretion, subject to the terms of the Incentive Plan. Such awards may be made in addition to or in conjunction with other awards under the Incentive Plan. Such awards may include unrestricted shares of our common stock, which may be awarded, without limitation (except as provided in the Incentive Plan), as a bonus, in payment of director fees, in lieu of cash compensation, in exchange for cancellation of a compensation right, or upon the attainment of performance goals or otherwise, or rights to acquire shares of our common stock from us.

### **Award Limits**

Subject to the terms of the Incentive Plan, the aggregate number of shares that may be subject to all incentive stock options granted under the Incentive Plan cannot exceed the total aggregate number of shares that may be subject to or delivered under awards under the Incentive Plan. Notwithstanding any other provisions of the Incentive Plan to the contrary, the aggregate grant date fair value (computed as specified in the Incentive Plan) of all awards granted to any non-employee director during any single calendar year shall not exceed 300,000 shares during 2019 and, thereafter, 200,000 shares.

### **New Plan Benefits**

The amount of future grants under the Incentive Plan is not determinable, as awards under the Incentive Plan will be granted at the sole discretion of the administrator. We cannot determine at this time either the persons who will receive awards under the Incentive Plan or the amount or types of such any such awards.

### *Transferability*

Unless determined otherwise by the administrator, an award may not be sold, pledged, assigned, hypothecated, transferred, or disposed of in any manner other than by beneficiary designation, will, or by the laws of descent or distribution, including but not limited to any attempted assignment or transfer in connection with the settlement of marital property or other rights incident to a divorce or dissolution, and any such attempted sale, assignment, or transfer shall be of no effect prior to the date an award is vested and settled.

### *Termination of Employment or Board Membership*

At the grant date, the administrator is authorized to determine the effect a termination from membership on the board of directors by a non-employee director for any reason or a termination of employment (as defined in the Incentive Plan) due to disability (as defined in the Incentive Plan), retirement (as defined in the Incentive Plan), death, or otherwise (including termination for cause (as defined in the Incentive Plan)) will have on any award. Unless otherwise provided in the award agreement:

- Upon termination from membership on our board of directors by a non-employee director for any reason other than disability or death, any option or stock appreciation right held by such director that (i) has not vested and is not exercisable as of the termination effective date will be subject to immediate cancellation and forfeiture or (ii) is vested and exercisable as of the termination effective date shall remain exercisable for one year thereafter, or the remaining term of the option or stock appreciation right, if less. Any unvested stock award, stock unit award, or other stock-based award held by a non-employee director at the time of termination from membership on our board of directors for a reason other than disability or death will immediately be cancelled and forfeited.

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- Upon termination from membership on our board of directors by a non-employee director due to disability or death will result in full vesting of any outstanding option or stock appreciation rights and vesting of a prorated portion of any stock award, stock unit award, or other stock based award based upon the full months of the applicable performance period, vesting period, or other period of restriction elapsed as of the end of the month in which the termination from membership on our board of directors by a non-employee director due to disability or death occurs over the total number of months in such period. Any option or stock appreciation right that vests upon disability or death will remain exercisable for one year thereafter, or the remaining term of the option or stock appreciation right, if less. In the case of any stock award, stock unit award, or other stock-based award that vests on the basis of attainment of performance criteria (as defined in the Incentive Plan), the pro rata vested amount will be based upon the target award.
- Upon termination of employment due to disability or death, any option or stock appreciation right held by an employee will, if not already fully vested, become fully vested and exercisable as of the effective date of such termination of employment due to disability or death, or, in either case, the remaining term of the option or stock appreciation right, if less. Termination of employment due to disability or death shall result in vesting of a prorated portion of any stock award, stock unit award, or other stock based award based upon the full months of the applicable performance period, vesting period, or other period of restriction elapsed as of the end of the month in which the termination of employment due to disability or death occurs over the total number of months in such period. In the case of any stock award, stock unit award, or other stock-based award that vests on the basis of attainment of performance criteria, the pro-rata vested amount will be based upon the target award.
- Any option or stock appreciation right held by an awardee at retirement that occurs at least one year after the grant date of the option or stock appreciation right will remain outstanding for the remaining term of the option or stock appreciation right and continue to vest; any stock award, stock unit award, or other stock based award held by an awardee at retirement that occurs at least one year after the grant date of the award shall also continue to vest and remain outstanding for the remainder of the term of the award.
- Any other termination of employment shall result in immediate cancellation and forfeiture of all outstanding awards that have not vested as of the effective date of such termination of employment, and any vested and exercisable options and stock appreciation rights held at the time of such termination of such termination of employment shall remain exercisable for 90 days thereafter or the remaining term of the option or stock appreciation right, if less. Notwithstanding the foregoing, all outstanding and unexercised options and stock appreciation rights will be immediately cancelled in the event of a termination of employment for cause.

### *Change of Control*

In the event of a change of control (as defined in the Incentive Plan), unless other determined by the administrator as of the grant date of a particular award, the following acceleration, exercisability, and valuation provisions apply:

- On the date that a change of control occurs, all options and stock appreciation rights awarded under the Incentive Plan not previously exercisable and vested will, if not assumed, or substituted with a new award, by the successor to us, become fully exercisable and vested, and if the successor to us assumes such options or stock appreciation rights or substitutes other awards for such awards, such awards (or their substitutes) shall become fully exercisable and vested if the participant's employment is terminated (other than a termination for cause) within two years following the change of control.
- Except as may be provided in an individual severance or employment agreement (or severance plan) to which an awardee is a party, in the event of an awardee's termination of employment within two years after a change of control for any reason other than because of the awardee's death, retirement, disability, or termination for cause, each option and stock appreciation right held by the awardee (or a transferee) that is vested following such termination of employment will remain exercisable until the earlier of the third anniversary of such termination of employment (or any later date until which it would have remained exercisable under such circumstances by its terms) or the expiration of its original term. In the event of an awardee's termination of employment more than two years after a change of control, or within two years after a change of control because of the awardee's death, retirement, disability, or termination for cause, the regular provisions of the Incentive Plan regarding employment termination (described above) will govern (as applicable).

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- On the date that a change of control occurs, the restrictions and conditions applicable to any or all stock awards, stock unit awards, and other stock-based awards that are not assumed, or substituted with a new award, by the successor to us will lapse and such awards will become fully vested. Unless otherwise provided in an award agreement at the grant date, upon the occurrence of a change of control without assumption or substitution of the awards by the successor, any performance-based award will be deemed fully earned at the target amount as of the date on which the change of control occurs. All stock awards, stock unit awards, and other stock-based awards shall be settled or paid within 30 days of vesting. Notwithstanding the foregoing, if the change of control would not qualify as a permissible date of distribution under Section 409A(a)(2)(A) of the Internal Revenue Code, and the regulations thereunder, the awardee shall be entitled to receive the award from us on the date that would have applied, absent this provision. If the successor to us does assume (or substitute with a new award) any stock awards, stock unit awards, and other stock-based awards, all such awards shall become fully vested if the participant's employment is terminated (other than a termination for cause) within two years following the change of control, and any performance based award will be deemed fully earned at the target amount effective as of the termination of employment.

- The administrator, in its discretion, may determine that, upon the occurrence of a change of control of us, each option and stock appreciation right outstanding will terminate within a specified number of days after notice to the participant, and/or that each participant receives, with respect to each share subject to such option or stock appreciation right, an amount equal to the excess of the fair market value of such share immediately prior to the occurrence of such change of control over the exercise price per share of such option and/or stock appreciation right; such amount to be payable in cash, in one or more kinds of stock or property (including the stock or property, if any, payable in the transaction), or in a combination thereof, as the administrator, in its discretion, determines and, if there is no excess value, the administrator may, in its discretion, cancel such awards.
- An option, stock appreciation right, stock award, stock unit award, or other stock-based award will be considered assumed or substituted for if, following the change of control, the award confers the right to purchase or receive, for each share subject to the option, stock appreciation right, stock award, stock unit award, or other stock-based award immediately prior to the change of control, the consideration (whether stock, cash, or other securities or property) received in the transaction constituting a change of control by holders of shares for each share held on the effective date of such transaction (and if holders were offered a choice of consideration, the type of consideration chosen by the holders of a majority of the outstanding shares); provided, however, that, if such consideration received in the transaction constituting a change of control is not solely shares of common stock of the successor company, the administrator may, with the consent of the successor company, provide that the consideration to be received upon the exercise or vesting of an option, stock appreciation right, stock award, stock unit award, or other stock-based award, for each share subject thereto, will be solely shares of common stock of the successor company with a fair market value substantially equal to the per-share consideration received by holders of shares in the transaction constituting a change of control. The determination of whether fair market value is substantially equal shall be made by the administrator in its sole discretion and its determination will be conclusive and binding.

#### **Tax and Accounting Considerations**

Among the factors it considers when making executive compensation decisions, the Compensation Committee considers the anticipated tax and accounting impact to us (and to our executive officers) of various payments, equity awards and other benefits.

The Compensation Committee considers the impact of the provisions of Section 162(m) of the Internal Revenue Code, or the Code, as amended by the Tax Cuts and Jobs Act (“TCJA”). That section generally limits the deductibility of compensation paid by a publicly held company to “covered employees” for a taxable year to \$1.0 million. Effective for taxable years beginning on and after January 1, 2018, “covered employees” generally include our Chief Executive Officer, Chief Financial Officer and other highly compensated executive officers. Effective for taxable years beginning prior to January 1, 2018, an exception to this deduction limit applied to “performance-based compensation,” such as cash incentive and stock option awards, that satisfied certain criteria. This exception to the Section 162(m) deduction limit for “performance-based compensation” was repealed by the TCJA. Thus, except for certain “performance-based compensation” payable pursuant to written contracts that were in effect on November 2, 2017 and that are not modified in any material respect on or after that date, effective for taxable years beginning on and after January 1, 2018 our tax deduction with regard to compensation of “covered employees” is limited to \$1.0 million per taxable year with respect to each executive officer. With respect to cash and equity awards that were in effect on November 2, 2017, and that are not modified in any material respect on or after that date, the Committee is mindful of the benefit to us and our stockholders of the full deductibility of compensation and have taken steps so that both the cash incentive and stock option awards that we granted may qualify for deductibility under Section 162(m) of the Code. However, awards that we granted that were intended to qualify as “performance-based compensation” may not necessarily qualify for such status under Section 162(m) of the Code. With respect to cash incentive and equity awards that we may grant in the future, we do not anticipate that the \$1.0 million deduction limitation set forth in Section 162(m) of the Code will have a material impact on our results of operations.

The Compensation Committee also considers the impact of Section 409A of the Code, and in general, our executive plans and programs are designed to comply with the requirements of that section so as to avoid possible adverse tax consequences that may result from noncompliance.

We account for equity awards in accordance with the requirements of Financial Accounting Standards Board Accounting Standards Codification, or FASB ASC, Topic 718, Stock Compensation.

Our Change of Control and Severance Agreements do not allow for excise tax gross up payments.

#### **Amendment and Termination**

The administrator may amend, alter, or discontinue the Incentive Plan or any award agreement, but any such amendment is subject to the approval of our stockholders in the manner and to the extent required by applicable law. In addition, without limiting the foregoing, unless approved by our stockholders and subject to the terms of the Incentive Plan, no such amendment shall be made that would (i) increase the maximum aggregate number of shares that may be subject to awards granted under the Incentive Plan, (ii) reduce the minimum exercise price for options or stock appreciation rights granted under the Incentive Plan, or (iii) reduce the exercise price of outstanding options or stock appreciation rights, as prohibited by the terms of the Incentive Plan without stockholder approval.

No amendment, suspension, or termination of the Incentive Plan will impair the rights of any participant with respect to an outstanding award, unless otherwise mutually agreed between the participant and the administrator, which agreement must be in writing and signed by the participant and us, except that no such agreement will be required if the administrator determines in its sole discretion that such amendment either (i) is required or advisable in order for us, the Incentive Plan, or the award to satisfy any applicable law or to meet the requirements of any accounting standard or (ii) is not reasonably likely to diminish the benefits provided under such award significantly, or that any such diminution has been adequately compensated, except that this exception shall not apply following a change of control. Termination of the Incentive Plan will not affect the administrator’s ability to exercise the powers granted to it hereunder with respect to awards granted under the Incentive Plan prior to the date of such termination.

#### **Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth, for each named executive officer, certain information concerning outstanding restricted stock awards as of December 31, 2020:

Name	Number of securities underlying unvested restricted stock awards (#)	Fair Value (\$)	Vest date
Rory J. Cutiaia	352,827	1.36	December 23, 2023 <sup>(1)</sup>
	150,000	1.36	December 23, 2022 <sup>(2)</sup>
	471,698	1.06	July 29, 2024 <sup>(3)</sup>
Jeffrey R. Clayborne	264,620	1.36	December 23, 2023 <sup>(1)</sup>
	75,000	1.36	December 23, 2022 <sup>(2)</sup>
	283,019	1.06	July 29, 2024 <sup>(3)</sup>

(1) 25% vesting on the first, second, third, and fourth anniversaries from the grant date.

(2) 25% on grant date and 25% vesting on the first, second, and third anniversaries from the grant date

(3) 25% vesting on the first, second, third, and fourth anniversaries from the grant date.

The following table sets forth, for each named executive officer, certain information concerning outstanding option awards as of December 31, 2020:

Name	Number of securities underlying unexercised options (exercisable) (#)	Number of securities underlying unexercised options (unexercisable) (#)	Option Exercise price (\$)	Option expiration date
Rory J. Cutaia	-	189,645	1.13	January 10, 2021 <sup>(1)</sup>
	-	189,645	1.13	January 10, 2022 <sup>(2)</sup>
	-	143,085	1.13	January 10, 2021 <sup>(3)</sup>
	-	143,085	1.13	January 10, 2022 <sup>(4)</sup>
	16,667	-	4.35	January 8, 2024 <sup>(9)</sup>
	16,667	-	1.16	December 18, 2022 <sup>(9)</sup>
	133,333	-	1.20	January 9, 2022 <sup>(9)</sup>
	16,667	-	1.65	October 31, 2020 <sup>(9)</sup>
	83,333	-	1.43	May 11, 2021 <sup>(9)</sup>
16,667	-	1.20	November 1, 2020 <sup>(9)</sup>	
Jeffrey R. Clayborne	-	55,129	1.13	January 10, 2021 <sup>(5)</sup>
	-	55,129	1.13	January 10, 2022 <sup>(6)</sup>
	-	71,542	1.13	January 10, 2021 <sup>(7)</sup>
	-	71,543	1.13	January 10, 2022 <sup>(8)</sup>
	33,333	-	5.33	May 3, 2022 <sup>(9)</sup>
	133,333	-	1.20	January 9, 2022 <sup>(9)</sup>
	100,000	-	1.65	July 14, 2021 <sup>(9)</sup>
	12,876	-	1.35	January 21, 2023 <sup>(9)</sup>

(1) 189,645 shares will vest on January 10, 2021.

(2) 189,645 shares will vest on January 10, 2022.

(3) 143,085 shares will vest on January 10, 2021.

(4) 143,085 shares will vest on January 10, 2022.

(5) 55,129 shares will vest on January 10, 2021.

(6) 55,129 shares will vest on January 10, 2022.

(7) 71,542 shares will vest on January 10, 2021.

(8) 71,542 shares will vest on January 10, 2022.

(9) All shares have fully vested.

#### Resignation, Retirement, Other Termination, or Change in Control Arrangements

Other than as disclosed below, we have no contract, agreement, plan, or arrangement, whether written or unwritten, that provides for payments to our directors or executive officers at, following, or in connection with the resignation, retirement, or other termination of our directors or executive officers, or a change in control of our company or a change in our directors' or executive officers' responsibilities following a change in control.

#### Rory J. Cutaia

Pursuant to Mr. Cutaia's employment agreement dated December 20, 2019, Mr. Cutaia is entitled to the following severance package in the event he is "terminated without cause," "terminated for good reason," or "terminated upon permanent disability": (i) monthly payments of \$35,833 or such sum equal to his monthly base compensation at the time of the termination, whichever is higher, for a period of 36 months from the date of such termination and (ii) reimbursement for COBRA health insurance costs for 18 months from the date of such termination and, thereafter, reimbursement for health insurance costs for Mr. Cutaia and his family during the immediately subsequent 18-month period. In addition, all of Mr. Cutaia's then-unvested restricted stock awards or other awards will immediately vest, without restriction, and any unearned and unpaid bonus compensation, expense reimbursement, and all accrued vacation, personal, and sick days, and related items shall be deemed earned, vested, and paid immediately. For purposes of the employment agreement, "terminated without cause" means if Mr. Cutaia were to be terminated for any reason other than a discharge for cause or due to Mr. Cutaia's death or permanent disability. For purposes of the employment agreement, "terminated for good reason" means the voluntary termination of the employment agreement by Mr. Cutaia if any of the following were to occur without his prior written consent, which consent cannot be unreasonably withheld considering our then-current financial condition, and, in each case, which continues uncured for 30 days following receipt by us of Mr. Cutaia's written notice: (i) there is a material reduction by us in (A) Mr. Cutaia's annual base salary then in effect or (B) the annual target bonus, as set forth in the employment agreement, or the maximum additional amount up to which Mr. Cutaia is eligible pursuant to the employment agreement; (ii) we reduce Mr. Cutaia's job title and position such that Mr. Cutaia (A) is no longer our Chief Executive Officer; (B) is no longer our Chairman of the board of directors; or (C) is involuntarily removed from our board of directors; or (iii) Mr. Cutaia is required to relocate to an office location outside of Orange County, California, or outside of a 30-mile radius of Newport Beach, California. For purposes of the employment agreement, "terminated upon permanent disability" means if Mr. Cutaia were to be terminated because he is then unable to perform his duties due to a physical or mental condition for (i) a period of 120 consecutive days or (ii) an aggregate of 180 days in any 12-month period.

## Director Compensation Table

The table below summarizes the compensation paid to our non-employee directors for the fiscal year ended December 31, 2020:

Name <sup>(1)</sup>	Fees earned or paid in		Total (\$)
	cash (\$)	Stock awards (\$)	
James P. Geiskopf	152,000	209,000 <sup>(2,3)</sup>	361,000
Philip J. Bond	70,000	87,000 <sup>(4,5)</sup>	157,000
Kenneth S. Cragun	70,000	87,000 <sup>(4,5)</sup>	157,000
Nancy Heinen	64,000	87,000 <sup>(4,5)</sup>	152,000
Judith Hammerschmidt	64,000	87,000 <sup>(4,5)</sup>	152,000

(1) Rory J. Cutaia, our Chairman of the board, Chief Executive Officer, President, and Secretary during the fiscal year ending December 31, 2020, is not included in this table as he was an employee, and, thus, received no compensation for his services as a director. The compensation received by Mr. Cutaia as an employee is disclosed in the section entitled “Executive Compensation – Summary Compensation Table” appearing elsewhere in this Annual Report.

(2) Represents a restricted stock unit totaling 184,021 shares of our common stock valued at \$1.06 per share, which was the closing price reported on The NASDAQ Capital Market. The restricted stock unit vested on the first anniversary from the grant date.

(3) Represents a restricted stock unit totaling 9,782 shares of our common stock valued at \$1.47 per share, which was the closing price reported on The NASDAQ Capital Market. The restricted stock unit vested on the July 15, 2020.

(4) Represents a restricted stock unit totaling 75,472 shares of our common stock valued at \$1.06 per share, which was the closing price reported on The NASDAQ Capital Market. The restricted stock unit vests on the first anniversary from the grant date.

(5) Represents a restricted stock unit totaling 4,891 shares of our common stock valued at \$1.47 per share, which was the closing price reported on The NASDAQ Capital Market. The restricted stock unit vested on the July 15, 2020.

## Narrative Disclosure to Director Compensation Table

The annual board fee payable in cash and our common stock for our lead director and directors is 175,000 and 75,000, respectively. In addition, we intend to provide a restricted stock unit based on recommendations from our compensation consultants. Our directors are entitled to reimbursement for reasonable travel and other out-of-pocket expenses incurred in connection with attendance at meetings of our board of directors. Our board of directors may award special remuneration to any director undertaking any special services on their behalf other than services ordinarily required of a director.

### James P. Geiskopf

Mr. Geiskopf earned total cash compensation for his services to us in the amount of \$152,000 and \$69,000 for fiscal years 2020 and 2019, respectively.

On April 10, 2020, we granted Mr. Geiskopf a restricted stock unit totaling \$12,000 payable in 9,782 shares of our common stock as part of the Company’s COVID-19 Full Employment and Cash Preservation Plan. The restricted stock unit vested on July 15, 2020 at the completion of the plan. The price per share was \$1.198, which was the 21-day volume weighted average price as reported by The NASDAQ Capital Market. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.47 and was used to calculate fair market value.

On July 29, 2020, we granted Mr. Geiskopf a restricted stock unit totaling \$160,000 payable in 150,943 shares of our common stock. The restricted stock award vests on the first anniversary from the grant date. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.06 and was used to calculate fair market value.

On July 29, 2020, we granted Mr. Geiskopf a restricted stock unit totaling \$35,000 payable in 33,078 shares of our common stock. The restricted stock unit vested on grant date. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.06 and was used to calculate fair market value.

On December 23, 2019, we granted Mr. Geiskopf a restricted stock award totaling \$160,000 payable in 141,130 shares of our common stock. The restricted stock award vests on the first anniversary from the grant date. The price per share was \$1.13, which was the 30-day volume weighted average price as reported by The NASDAQ Capital Market.

On December 23, 2019, we granted Mr. Geiskopf a bonus totaling \$150,000 payable in 132,310 shares of our common stock and an additional restricted stock award equal to \$160,000 payable in 141,130 shares of our common stock for up-listing to The NASDAQ Capital Market and the acquisition of Verb Direct, respectively. The bonus shares and restricted stock award vested on the grant date. The price per share was \$1.13, which was the 30-day volume weighted average price as reported by The NASDAQ Capital Market.

### Philip J. Bond

Mr. Bond earned total cash compensation for his services to us in the amount of \$70,000 and \$48,000 for the fiscal years ending December 31, 2020 and 2019, respectively.

On April 10, 2020, we granted Mr. Bond a restricted stock unit totaling \$6,000 payable in 4,891 shares of our common stock as part of the Company’s COVID-19 Full Employment and Cash Preservation Plan. The restricted stock unit vested on July 15, 2020 at the completion of the plan. The price per share was \$1.198, which was the 21-day volume weighted average price as reported by The NASDAQ Capital Market. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.47 and was used to calculate fair market value.

On July 29, 2020, we granted Mr. Bond a restricted stock unit totaling \$80,000 payable in 75,472 shares of our common stock. The restricted stock unit vests on the first anniversary from the grant date. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.06 and was used to calculate fair market value.

On December 23, 2019, we granted Mr. Bond a restricted stock award totaling \$80,000 payable in 70,565 shares of our common stock. The restricted stock award vests on the first anniversary from grant date. The price per share was \$1.13, which was the 30-day volume weighted average price as reported by The NASDAQ Capital Market.

### Kenneth S. Cragun

Mr. Cragun earned total cash compensation for his services to us in the amount of \$70,000 and \$48,000 for the fiscal years ending December 31, 2020 and 2019, respectively.

On April 10, 2020, we granted Mr. Cragun a restricted stock unit totaling \$6,000 payable in 4,891 shares of our common stock as part of the Company's COVID-19 Full Employment and Cash Preservation Plan. The restricted stock unit vested on July 15, 2020 at the completion of the plan. The price per share was \$1.198, which was the 21-day volume weighted average price as reported by The NASDAQ Capital Market. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.47 and was used to calculate fair market value.

On July 29, 2020, we granted Mr. Cragun a restricted stock unit totaling \$80,000 payable in 75,472 shares of our common stock. The restricted stock unit vests on the first anniversary from the grant date. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.06 and was used to calculate fair market value.

On December 23, 2019, we granted Mr. Cragun a restricted stock award totaling \$80,000 payable in 70,565 shares of our common stock. The restricted stock award vests on the first anniversary from the grant date. The price per share was \$1.13, which was the 30-day volume weighted average price as reported by The NASDAQ Capital Market.

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#### *Nancy Heinen*

Ms. Heinen earned total cash compensation for his services to us in the amount of \$64,000 and \$0 for the fiscal years ending December 31, 2020 and 2019, respectively.

On April 10, 2020, we granted Ms. Heinen a restricted stock unit totaling \$6,000 payable in 4,891 shares of our common stock as part of the Company's COVID-19 Full Employment and Cash Preservation Plan. The restricted stock unit vested on July 15, 2020 at the completion of the plan. The price per share was \$1.198, which was the 21-day volume weighted average price as reported by The NASDAQ Capital Market. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.47 and was used to calculate fair market value.

On July 29, 2020, we granted Ms. Heinen a restricted stock unit totaling \$80,000 payable in 75,472 shares of our common stock. The restricted stock unit vests on the first anniversary from the grant date. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.06 and was used to calculate fair market value.

On December 23, 2019, we granted Ms. Heinen an initial board of directors restricted stock award totaling \$100,000 payable in 88,207 shares of our common stock. The restricted stock vests on the first, second, and third anniversaries from the grant date. The price per share was \$1.13, which was the 30-day volume weighted average price as reported by The NASDAQ Capital Market.

On December 23, 2019, we granted Ms. Heinen a restricted stock award totaling \$80,000 payable in 70,565 shares of our common stock. The restricted stock award vests on the first anniversary from the grant date. The price per share was \$1.13, which was the 30-day volume weighted average price as reported by The NASDAQ Capital Market.

#### *Judith Hammerschmidt*

Ms. Hammerschmidt earned total cash compensation for his services to us in the amount of \$64,000 and \$0 for the fiscal years ending December 31, 2020 and 2019, respectively.

On April 10, 2020, we granted Ms. Hammerschmidt a restricted stock unit totaling \$6,000 payable in 4,891 shares of our common stock as part of the Company's COVID-19 Full Employment and Cash Preservation Plan. The restricted stock unit vested on July 15, 2020 at the completion of the plan. The price per share was \$1.198, which was the 21-day volume weighted average price as reported by The NASDAQ Capital Market. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.47 and was used to calculate fair market value.

On July 29, 2020, we granted Ms. Hammerschmidt a restricted stock unit totaling \$80,000 payable in 75,472 shares of our common stock. The restricted stock unit vests on the first anniversary from the grant date. The price per share as reported by The NASDAQ Capital Market on the day of issuance was \$1.06 and was used to calculate fair market value.

On December 23, 2019, we granted Ms. Hammerschmidt an initial board of directors restricted stock award totaling \$100,000 payable in 88,207 shares of our common stock. The restricted stock award vests on the first, second, and third anniversaries from the grant date. The price per share was \$1.13, which was the 30-day volume weighted average price as reported by The NASDAQ Capital Market.

On December 23, 2019, we granted Ms. Hammerschmidt a restricted stock award totaling \$80,000 payable in 70,565 shares of our common stock. The restricted stock award vests on the first anniversary from the grant date. The price per share was \$1.13, which was the 30-day volume weighted average price as reported by The NASDAQ Capital Market.

#### **Outstanding Equity Awards at Fiscal Year-End**

The following table sets forth, for each non-employee director, certain information concerning outstanding restricted stock awards as of December 31, 2020:

<b>Name</b>	<b>Number of securities underlying unvested restricted stock awards (#)</b>	<b>Fair Value (\$)</b>	<b>Vest date</b>
James P. Geiskopf	150,943	1.06	July 29, 2021 <sup>(1)</sup>
Philip J. Bond	75,472	1.06	July 29, 2021 <sup>(1)</sup>
Kenneth S. Cragun	75,472	1.06	July 29, 2021 <sup>(1)</sup>
Nancy Heinen	88,207	1.36	December 23, 2022 <sup>(2)</sup>
	75,472	1.06	July 29, 2021 <sup>(1)</sup>
Judith Hammerschmidt	88,207	1.36	December 23, 2022 <sup>(2)</sup>
	75,472	1.06	July 29, 2021 <sup>(1)</sup>

(1) Fully vests on the first anniversary from the grant date.

(2) 25% vesting on the first, second, and third anniversaries from the grant date.



The following table sets forth, for each non-employee director, certain information concerning outstanding option awards as of December 31, 2020:

Name	Number of securities underlying unexercised options (exercisable) (#)	Number of securities underlying unexercised options (unexercisable) (#)	Option exercise price (\$)	Option expiration date
James P. Geiskopf	133,333	-	1.20	January 9, 2022 <sup>(1)</sup>
James P. Geiskopf	50,000	-	1.43	May 11, 2021 <sup>(1)</sup>
Philip J. Bond	40,000	26,667	7.50	August 27, 2023 <sup>(2)</sup>
Kenneth S. Cragun	40,000	26,667	7.50	August 27, 2023 <sup>(2)</sup>

(1) All shares have fully vested.

(2) 25% vest on the grant date and 25% vest on the first, second, and third anniversaries from the grant date.

#### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of March 26, 2021, certain information with respect to the beneficial ownership of our common stock by (i) each of our current directors, (ii) each of our named executive officers, (iii) our directors and named executive officers as a group, and (iv) each stockholder known by us to be the beneficial owner of more than 5% of our outstanding common stock.

We have determined beneficial ownership in accordance with the rules of the SEC, which generally includes voting or investment power over securities. Except in cases where community property laws apply or as indicated in the footnotes to this table, we believe, based on the information furnished to us, that each stockholder identified in the table possesses sole voting and investment power over all shares of common stock shown as beneficially owned by the stockholder. Shares of common stock subject to equity awards that are exercisable or have vested, or will become exercisable or will vest, as applicable, within 60 days of March 26, 2021, are considered outstanding and beneficially owned by the person holding the options or restricted stock units for the purpose of computing the percentage ownership of that person but are not treated as outstanding for the purpose of computing the percentage ownership of any other person.

Unless otherwise indicated, the address of each beneficial owner listed in the table below is c/o Verb Technology Company, Inc., 782 Auto Mall Drive, American Fork, Utah 84003.

Name and Address of Beneficial Owner(1)	Title of Class	Amount and Nature of Beneficial Ownership(2)	Percent of Class(3)
Rory J. Cutaia	Common	4,473,959(4)	7.1%
James P. Geiskopf	Common	922,863(5)	1.5%
Jeffrey R. Clayborne	Common	585,498(6)	*%
Philip J. Bond	Common	119,956(7)	*
Kenneth S. Cragun	Common	119,956(7)	*
Nancy Heinen	Common	104,858(8)	*
Judith Hammerschmidt	Common	104,858(8)	*
All directors and executive officers as a group (7 persons)	Common	6,431,948	10.1%

\* Less than 1%.

- (1) Messrs. Cutaia, Geiskopf, Bond and Cragun and Ms. Heinen and Hammerschmidt are the directors of our company. Messrs. Cutaia, and Clayborne are the named executive officers of our company.
- (2) Except as otherwise indicated, we believe that the beneficial owners of the shares of our common stock listed above, based on information furnished by such owners, have sole investment and voting power with respect to such shares, subject to community property laws, where applicable. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Shares of our common stock subject to options or warrants currently exercisable or exercisable within 60 days are deemed outstanding for purposes of computing the percentage ownership of the person holding such option or warrants, but are not deemed outstanding for purposes of computing the percentage ownership of any other person.
- (3) Percentage of common stock is based on 62,451,830 shares of our common stock issued and outstanding as of March 26, 2021.
- (4) Consists of 3,721,871 shares of our common stock held directly, 240,240 shares of our common stock held by Cutaia Media Group Holdings, LLC (an entity over which Mr. Cutaia has dispositive and voting authority), 54,006 shares of our common stock held by Mr. Cutaia's spouse (as to which shares, he disclaims beneficial ownership), and 4,500 shares of our common stock held jointly by Mr. Cutaia and his spouse. Also includes 266,667 shares of our common stock underlying stock options held directly that are exercisable within 60 days of the date of March 26, 2021 (as to which underlying shares, he disclaims beneficial ownership). The total also includes 186,675 shares of our common stock underlying warrants granted to Mr. Cutaia, which warrants are exercisable within 60 days of March 26, 2021. Excludes 836,318 restricted stock awards that will not vest within 60 days of March 26, 2021. The total also excludes 332,730 shares of our common stock underlying stock options not exercisable within 60 days of March 26, 2021.

- (5) Includes 734,196 shares of our common stock held directly and 5,333 shares of our common stock held by Mr. Geiskopf's children. Also includes 183,333 shares of our common stock underlying stock options exercisable within 60 days of March 26, 2021. Excludes 150,943 restricted stock awards that will not vest within 60 days of March 26, 2021.
- (6) Includes 305,956 shares of our common stock held directly. Also, includes 279,542 shares of our common stock underlying stock options that are exercisable within 60 days of March 26, 2021. Excludes 531,484 restricted stock awards that will not vest within 60 days of March 26, 2021. The total also excludes 126,672 shares of our common stock underlying stock options not exercisable within 60 days of March 26, 2021.
- (7) Includes 79,956 shares of our common stock held directly. Also includes 40,000 shares of our common stock underlying stock options exercisable within 60 days of March 26, 2021. Excludes 75,472 restricted stock awards that will not vest within 60 days of March 26, 2021. The total also excludes 26,667 shares of our common stock underlying stock options not exercisable within 60 days of March 26, 2021.
- (8) Includes 104,858 shares of our common stock held directly. Excludes 163,679 restricted stock awards that will not vest within 60 days of March 26, 2021.

### Securities Authorized for Issuance under Equity Compensation Plans

The following table summarizes certain information regarding our equity compensation plans as of December 31, 2020:

Plan category	Number of securities to be issued upon exercise of outstanding restricted stock awards, options, warrants and rights (a)	Weighted-average exercise price of outstanding restricted stock awards, options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	5,093,867	\$ 1.24	7,870,408
Equity compensation plans not approved by security holders	2,217,418	\$ 1.97	-
<b>Total</b>	<b>7,311,285</b>	<b>\$ 1.46</b>	<b>7,870,408</b>

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

#### Transactions with Related Persons

We follow ASC 850, Related Party Disclosures, for the identification of related parties and disclosure of related party transactions. When and if we contemplate entering into a transaction in which any executive officer, director, nominee, or any family member of the foregoing would have a direct or indirect interest, regardless of the amount involved, the terms of such transaction are to be presented to our full board of directors (other than any interested director) for approval, and documented in the board minutes.

#### Notes Payable to Related Parties

The Company has the following outstanding notes payable to related parties on December 31, 2020 and 2019:

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Largest Aggregate Amount Outstanding Since January 1, 2019	Amount Outstanding as of December 31, 2020	Interest Paid Since January 1, 2021	Interest Paid Since January 1, 2020
Note 1 <sup>(1)</sup>	December 1, 2015	February 8, 2021	12.0%	\$ 1,249,000	\$ 825,000	\$ 725,000	\$ 5,000	\$ 119,000
Note 2 <sup>(2)</sup>	December 1, 2015	April 1, 2017	12.0%	112,000	112,000	112,000	-	-
Note 3 <sup>(3)</sup>	April 4, 2016	June 4, 2021	12.0%	343,000	240,000	240,000	30,000	36,000
<b>Total notes payable – related parties</b>					<b>\$ 1,177,000</b>	<b>\$ 1,077,000</b>	<b>\$ 35,000</b>	<b>\$ 155,000</b>

- (1) On December 1, 2015, we issued a convertible note payable to Mr. Rory J. Cutaia, our majority stockholder and Chief Executive Officer, to consolidate all loans and advances made by Mr. Cutaia to us as of that date. The note bears interest at a rate of 12% per annum, secured by our assets and originally matured on August 1, 2018. Per the terms of the note agreement, at Mr. Cutaia's discretion, he may convert up to 30%, or \$375,000, of outstanding principal, plus accrued interest thereon, into shares of common stock at a conversion rate of \$1.05 per share. As of December 31, 2018, the total outstanding balance of the note amounted to \$825,000.

On May 4, 2017, we entered into an extension agreement with Mr. Cutaia to extend the maturity date of the note from April 1, 2017 to August 1, 2018. In consideration, we issued Mr. Cutaia a three-year warrant to purchase 1,755,192 shares of common stock at a price of \$0.355 per share with a fair value of \$517,000. All other terms of the note remain unchanged. We determined that the extension of the note's maturity resulted in a debt extinguishment for accounting purposes since the fair value of the warrants granted was more than 10% of the original value of the convertible note. As result, we recorded the fair value of the new note which approximates the original carrying value \$1,199,000 and expensed the fair value of the warrants granted of \$517,000 as debt extinguishment costs. As of December 31, 2018, total outstanding balance of the note amounted to \$825,000.

On August 8, 2018, we entered into an extension agreement with Mr. Cutaia to extend the maturity date of the note to February 8, 2021. All other terms of the note remain unchanged. In connection with the extension, we granted to Mr. Cutaia a three-year warrant to purchase up to 163,113 shares of common stock at a price of \$7.35 per share with a fair value of \$1,075,000. As of December 31, 2019, total outstanding balance of the note amounted to \$825,000.

Subsequent to December 31, 2020, the Company extended the note to February 8, 2023.

On December 18, the Company paid a \$100,000 principal payment.

As of December 31, 2020, the outstanding balance of the note amounted to \$725,000.

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

As of December 31, 2020, and the date of this Annual Report, the note is past due. We are currently in negotiations with the note holder to settle the note payable.

- (3) On April 4, 2016, we issued a convertible note to Mr. Cutaia, in the amount of \$343,000, to consolidate all advances made by Mr. Cutaia to us from December 2015 through March 2016. The note bears interest at a rate of 12% per annum, is secured by our assets, and originally matured on December 4, 2018. Pursuant to the terms of the note, a total of 30% of the note principal, or \$103,000, can be converted into shares of common stock at a conversion price of \$1.05 per share. As of December 31, 2018, the outstanding balance of the note was \$240,000.

On September 30, 2018, pursuant to the terms of the note, Mr. Cutaia converted 30% of the principal balance, or \$103,000, into 98,093 restricted shares of our common stock at \$1.05 per share.

On December 4, 2018, we entered into an extension agreement with Mr. Cutaia to extend the maturity date of the note to June 4, 2021. All other terms of the note remain unchanged. In connection with the extension, we granted to Mr. Cutaia a three-year warrant to purchase up to 353,000 shares of common stock at a price of \$5.10 per share with a fair value of \$111,000.

As of December 31, 2020, the outstanding balance of the note amounted to \$240,000.

#### Defered Compensation to Related Parties

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Largest Aggregate Amount Outstanding Since January 1, 2020	Amount Outstanding as of December 31, 2020	Interest Paid Since January 1, 2021	Interest Paid Since January 1, 2020
Notes 1 & 2 <sup>(1)</sup>	December 23, 2019	January 10, 2021	0%	\$ 278,000	\$ 278,000	\$ 278,000	\$ -	\$ -
Notes 1 & 2 <sup>(1)</sup>	December 23, 2019	January 10, 2021	0%	278,000	278,000	278,000	-	-
Notes 3 & 4 <sup>(2)</sup>	December 23, 2019	January 10, 2022	0%	243,000	243,000	243,000	-	-
Notes 3 & 4 <sup>(2)</sup>	December 23, 2019	January 10, 2022	0%	243,000	243,000	243,000	-	-
<b>Total deferred compensation – related parties</b>					<b>\$ 1,042,000</b>	<b>\$ 1,042,000</b>	<b>\$ -</b>	<b>\$ -</b>

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

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

#### Director Independence

Our board of directors is currently composed of six members. We have determined that the following five directors qualify as independent: James P. Geiskopf, Philip J. Bond, Kenneth S. Cragun, Nancy Heinen, and Judith Hammerschmidt. We determined that Mr. Cutaia, our Chairman, President, Chief Executive Officer, and Secretary, is not independent. We evaluated independence in accordance with the rules of The NASDAQ Capital Market and the SEC. Mr. Geiskopf, Mr. Bond, and Mr. Cragun also serve on our Audit, Compensation, and Governance and Nominating Committees. Ms. Heinen and Hammerschmidt serve on our Compensation and Governance and Nominating Committees.

#### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

##### Audit Fees

The following table sets forth the fees billed to us for the year ended December 31, 2020 and 2019 for professional services rendered by our independent registered public accounting firm, Weinberg & Company.

Fees	2020	2019
Audit Fees	\$ 217,000	\$ 162,000
Audit Related Fees	4,000	6,000

Tax Fees	46,000	6,000
Other Fees related to acquisition audit of Sound Concepts, Inc. and other filings	93,000	186,000
<b>Total Fees</b>	<b>\$ 360,000</b>	<b>\$ 360,000</b>

## Pre-Approval Policies and Procedures

The Audit Committee has adopted policies and procedures to oversee the external audit process and pre-approves all services provided by our independent registered public accounting firm. Prior to the addition of Mr. Bond and Mr. Cragun as members of the Audit Committee, the entire board of directors, consisting of Mr. Cutaia and Mr. Geiskopf acted as our Audit Committee and were responsible for pre-approving all services provided by our independent registered public accounting firm. All of the above services and fees were reviewed and approved by our board of directors or Audit Committee, as applicable, before the respective services were rendered.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

#### (a)(1) Financial Statements

Reference is made to the financial statements attached beginning on page F-2 of this Annual Report.

#### (a)(2) Financial Statement Schedules

None.

#### (a)(3) Exhibits

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

### ITEM 16. FORM 10-K SUMMARY

None.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

### To the Stockholders and the Board of Directors Verb Technology Company, Inc. American Fork, UT

#### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Verb Technology Company, Inc. (the "Company") as of December 31, 2020 and 2019, the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the years then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

#### Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1, the Company has incurred recurring operating losses and used cash in operations since inception. These matters raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 1 to the financial statements. These consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

#### Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

#### Critical Audit Matters

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that (1) relate to accounts or disclosures that are material to the financial statements and (2) involved especially challenging, subjective, or complex judgments.

The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

#### Goodwill Impairment Assessment

As described in Notes 2 and 3 to the consolidated financial statements, the Company's consolidated goodwill balance was \$20,060,000 as of December 31, 2020. Management

conducts impairment testing at the reporting unit level on an annual basis as of December 31 or more frequently if events or circumstances indicate a potential impairment. Reporting units are tested for impairment by comparing the estimated fair value of each reporting unit to their respective carrying amounts. Management primarily uses discounted cash flow methods to estimate the fair value, which require the use of significant estimates and assumptions, including future revenues, projected margins and capital spending, terminal growth rates, and discount rates.

The principal considerations for our determination that performing procedures relating to the goodwill impairment assessment is a critical audit matter are the significant judgment by management to estimate the fair value of the reporting units, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing audit procedures and evaluating audit evidence related to management's significant assumptions related to future revenues, projected margins and capital spending, terminal growth rates, and discount rates. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, (i) testing management's process for developing the fair value of the reporting units, (ii) evaluating the appropriateness of the discounted cash flow models utilized, (iii) testing the completeness and accuracy of underlying data used in the models, (iv) performing an independent market corroboration calculation, and (v) evaluating the significant assumptions used by management related to future revenues, projected margins and capital spending, terminal growth rates, and discount rates. Evaluating management's assumptions related to future revenues and projected margins and capital spending involved evaluating whether the assumptions used by management were reasonable considering the current and past performance of the reporting units, third-party industry data, and whether these assumptions were consistent with evidence obtained in other areas of the audit. Professionals with specialized skill and knowledge were used to assist in the evaluation of the Company's discounted cash flow models and the terminal growth rates and discount rates assumptions.

#### Acquisition of Ascend Certification

As described further in Note 3 to the consolidated financial statements, on September 4, 2020, the Company completed the acquisition of Ascend Certification, LLC. ( dba "Solofire") for a purchase price of \$4,950,000. The Company has accounted for the acquisition under the acquisition method of accounting which requires the assets acquired and liabilities assumed to be recorded at fair value as of the transaction date, for which the Company utilized a valuation report from a third-party valuation firm. As of December 31, 2020, the fair value estimates for intangible assets and goodwill are labeled provisional as the valuation reports have not been finalized as of December 31, 2020. We identified the estimation of the fair value of the assets acquired and liabilities assumed in the acquisition of Solofire as a critical audit matter.

The principal considerations for our determination that the estimation of the fair value of the assets acquired and liabilities assumed in the acquisition of Solofire was a critical audit matter are that there was a high estimation uncertainty due to significant judgements with respect to the selection of the valuation methodologies applied by the third party valuation firm, the assumptions used to estimate the future revenues and cash flows, including revenue growth rates, royalty rates, attrition rates, forecasted costs, weighted average costs of capital and future market conditions in the determination of the fair value of the intangible assets acquired. In addition, the audit effort involved the use of professionals with specialized skill and knowledge.

Our audit procedures responsive to the estimation of the fair value of the assets acquired and liabilities assumed in the acquisition of Solofire included the following procedures, among others:

- We evaluated management's and the valuation specialist's identification of assets acquired and liabilities assumed.
- We assessed the reasonableness of the fair value measurements prepared by management and their third-party valuation specialists, including the discount rates, revenue growth rates and projected profit margins used in valuing the intangible assets.
- We evaluated the reasonableness of the methodologies used to value the assets acquired and liabilities assumed and whether such approaches were appropriate given the nature of the item being valued.
- Evaluated the qualifications of the third-party firm engaged by the Company based on their credentials and experience.
- Evaluated the accuracy and completeness of the financial statement presentation and disclosure of the acquisition.

We have served as the Company's auditor since 2017.

/s/ Weinberg & Company, P.A.

Weinberg & Company, P.A.  
Los Angeles, California  
March 31, 2021

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### VERB TECHNOLOGY COMPANY, INC. CONSOLIDATED BALANCE SHEETS

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash	\$ 1,815,000	\$ 983,000
Accounts receivable, net of allowance of \$361,000 and \$230,000, respectively	919,000	1,271,000
Inventory, net of allowance of \$51,000 and \$2,000, respectively	34,000	103,000
Prepaid expenses	900,000	236,000
<b>Total current assets</b>	<b>3,668,000</b>	<b>2,593,000</b>
Right-of-use assets	2,730,000	3,275,000
Property and equipment, net of accumulated depreciation of \$338,000 and \$164,000, respectively	862,000	720,000
Intangible assets, net of accumulated amortization of \$2,310,000 and \$975,000, respectively (including provisional intangible assets of \$1,042,000 at December 31, 2020)	5,153,000	5,365,000
Goodwill (including provisional goodwill of \$3,723,000 at December 31, 2020)	20,060,000	16,337,000
Other assets	69,000	69,000
<b>Total assets</b>	<b>\$ 32,542,000</b>	<b>\$ 28,359,000</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		

<b>Current liabilities:</b>			
Accounts payable and accrued expenses	\$	5,097,000	\$ 4,338,000
Accrued officers' salary		822,000	207,000
Accrued interest (including \$102,000 and \$82,000 payable to related parties)		114,000	82,000
Advance on future receipts, net of discount of \$67,000 and \$274,000, respectively		110,000	732,000
Notes payable - related party		1,077,000	112,000
Deferred incentive compensation, current		521,000	-
Operating lease liability, current		596,000	391,000
Deferred revenue and customer deposits		272,000	306,000
Derivative liability		8,266,000	5,048,000
<b>Total current liabilities</b>		<b>16,875,000</b>	<b>11,216,000</b>
<b>Long Term liabilities:</b>			
Notes payable		1,458,000	-
Note payable - related party, non-current		-	1,065,000
Deferred incentive compensation to officers		521,000	1,042,000
Operating lease liability, non-current		2,943,000	3,591,000
<b>Total liabilities</b>		<b>21,797,000</b>	<b>16,914,000</b>
Commitments and contingencies			
<b>Stockholders' equity</b>			
Preferred stock, \$0.0001 par value, 15,000,000 shares authorized:			
Series A Convertible Preferred Stock, 6,000 shares authorized; 2,006 and 4,396 issued and outstanding as of December 31, 2020 and 2019			
		-	-
Class A units, 100 issued and authorized as of December 31, 2020			
		-	-
Class B units, 2,642,159 shares authorized, 2,642,159 issued and outstanding as of December 31, 2020			
		3,065,000	
Common stock, \$0.0001 par value, 200,000,000 shares authorized, 47,795,009 and 24,496,197 shares issued and outstanding as of December 31, 2020 and 2019			
		5,000	2,000
Additional paid-in capital		89,216,000	68,028,000
Accumulated deficit		(81,541,000)	(56,585,000)
<b>Total stockholders' equity</b>		<b>10,745,000</b>	<b>11,445,000</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$</b>	<b>32,542,000</b>	<b>\$ 28,359,000</b>

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

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**VERB TECHNOLOGY COMPANY, INC.  
CONSOLIDATED STATEMENTS OF OPERATIONS**

	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
<b>Revenue</b>		
SaaS recurring subscription revenue	\$ 5,114,000	\$ 2,815,000
Other Digital	1,384,000	1,425,000
Design, printing, and fulfillment	2,744,000	3,913,000
Shipping	723,000	947,000
	<u>9,965,000</u>	<u>9,100,000</u>
<b>Cost of revenue</b>		
Digital	1,416,000	660,000
Design, printing, and fulfillment	2,701,000	3,273,000
Shipping	684,000	937,000
	<u>4,801,000</u>	<u>4,870,000</u>
Gross margin	<u>5,164,000</u>	<u>4,230,000</u>
<b>Operating expenses:</b>		
Research and development	7,933,000	4,312,000
Depreciation and amortization	1,510,000	1,042,000
General and administrative	20,458,000	14,710,000
	<u>29,901,000</u>	<u>20,064,000</u>
Total operating expenses		
Loss from operations	<u>(24,737,000)</u>	<u>(15,834,000)</u>
<b>Other income (expense), net</b>		
Other expense, net	102,000	(11,000)
Financing costs	(248,000)	(1,625,000)
Interest expense - amortization of debt discount	(493,000)	(1,658,000)
Change in fair value of derivative liability	574,000	1,862,000
Debt extinguishment, net	-	1,536,000
Interest expense (including \$141,000 and \$141,000 to related parties)	(153,000)	(186,000)
Total other expense, net	<u>(218,000)</u>	<u>(82,000)</u>

Loss before income tax provision	(24,955,000)	(15,916,000)
Income tax provision	1,000	2,000
<b>Net Loss</b>	<b>(24,956,000)</b>	<b>(15,918,000)</b>
Deemed dividend to Series A preferred shareholders	(3,951,000)	-
<b>Net loss to common stockholders</b>	<b>\$ (28,907,000)</b>	<b>\$ (15,918,000)</b>
Loss per share - basic and diluted	<b>\$ (0.80)</b>	<b>\$ (0.79)</b>
Weighted average number of common shares outstanding - basic and diluted	<b>36,012,395</b>	<b>20,186,249</b>

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

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**VERB TECHNOLOGY COMPANY, INC.**  
**CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (DEFICIT)**  
For the Years Ended December 31, 2020 and 2019

	Preferred Stock		Class A Units		Class B Units		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	
<b>Balance at December 31, 2019</b>	<b>4,396</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>24,496,197</b>	<b>\$ 2,000</b>	<b>\$ 68,028,000</b>	<b>\$ (56,585,000)</b>	<b>\$ 11,445,000</b>
Sale of common stock from private placement	-	-	-	-	-	-	4,237,833	1,000	4,443,000	-	4,444,000
Sale of common stock from public offering	-	-	-	-	-	-	12,545,453	2,000	12,335,000	-	12,337,000
Issuance of common stock from warrant exercise	-	-	-	-	-	-	1,965,594	-	2,165,000	-	2,165,000
Fair value of warrants issued to Series A Preferred stockholders treated as a deemed dividend	-	-	-	-	-	-	-	-	(3,951,000)	-	(3,951,000)
Conversion of Series A Preferred to common stock	(2,390)	-	-	-	-	-	1,768,909	-	-	-	-
Fair value of common shares issued for services	-	-	-	-	-	-	1,007,583	-	1,190,000	-	1,190,000
Fair value of vested restricted stock awards	-	-	-	-	-	-	1,773,440	-	2,870,000	-	2,870,000
Fair value of vested stock options and warrants	-	-	-	-	-	-	-	-	1,977,000	-	1,977,000
Extinguishment of derivative liability	-	-	-	-	-	-	-	-	159,000	-	159,000
Class A units issued upon incorporation of Verb Acquisition Co.	-	-	100	-	-	-	-	-	-	-	-
Fair value of Class B units issued for the acquisition of Ascend Certification	-	-	-	-	2,642,159	3,065,000	-	-	-	-	3,065,000
Net loss	-	-	-	-	-	-	-	-	-	(24,956,000)	(24,956,000)
<b>Balance at December 31, 2020</b>	<b>2,006</b>	<b>\$ -</b>	<b>100</b>	<b>\$ -</b>	<b>2,642,159</b>	<b>\$ 3,065,000</b>	<b>47,795,009</b>	<b>\$ 5,000</b>	<b>\$ 89,216,000</b>	<b>\$ (81,541,000)</b>	<b>\$ 10,745,000</b>

	Preferred Stock		Class A		Class B		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	
<b>Balance at December 31, 2018</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>12,055,491</b>	<b>1,000</b>	<b>35,611,000</b>	<b>(40,667,000)</b>	<b>(5,055,000)</b>
Sale of common stock from public offering	-	-	-	-	-	-	6,549,596	1,000	18,362,000	-	18,363,000
Fair value of common stock issued for acquisition	-	-	-	-	-	-	3,327,791	-	7,820,000	-	7,820,000
Fair value of common stock issued to settle accounts payable	-	-	-	-	-	-	4,142	-	10,000	-	10,000
Fair value of common stock and warrants issued to settle notes payable	-	-	-	-	-	-	598,286	-	1,410,000	-	1,410,000
Conversion of convertible debt	-	-	-	-	-	-	182,333	-	410,000	-	410,000
Common stock issued upon exercise of warrants	-	-	-	-	-	-	189,237	-	45,000	-	45,000
Common stock upon issuance of convertible debt	-	-	-	-	-	-	25,272	-	182,000	-	182,000
Fair value of common stock issued for services	-	-	-	-	-	-	1,015,981	-	1,778,000	-	1,778,000
Issuance of fractional shares due to reverse split	-	-	-	-	-	-	139,036	-	-	-	-
Issuance of Series A convertible preferred stock for cash	5,030	-	-	-	-	-	-	-	4,688,000	-	4,688,000
Conversion of series A preferred shares	(634)	-	-	-	-	-	409,032	-	-	-	-
Fair value of warrants issued with the Series A convertible preferred stock	-	-	-	-	-	-	-	-	(4,688,000)	-	(4,688,000)
Fair value of vested stock options and warrants	-	-	-	-	-	-	-	-	2,400,000	-	2,400,000
Net loss	-	-	-	-	-	-	-	-	-	(15,918,000)	(15,918,000)
<b>Balance at December 31, 2019</b>	<b>4,396</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>24,496,197</b>	<b>\$ 2,000</b>	<b>\$ 68,028,000</b>	<b>\$ (56,585,000)</b>	<b>\$ 11,445,000</b>

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

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**VERB TECHNOLOGY COMPANY, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

For the Year Ended

December 31, 2020

December 31, 2019

<b>Operating Activities:</b>			
Net loss	\$	(24,956,000)	\$ (15,918,000)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>			
Fair value of common shares issued for services and vested stock options		6,119,000	4,178,000
Financing costs		248,000	1,625,000
Amortization of debt discount		493,000	1,658,000
Change in fair value of derivative liability		(574,000)	(1,862,000)
Debt extinguishment costs, net		-	(1,536,000)
Depreciation and amortization		1,510,000	1,042,000
Amortization of right-of-use assets		545,000	349,000
Inventory reserve		49,000	(14,000)
Allowance for doubtful account		130,000	199,000
<b>Effect of changes in assets and liabilities:</b>			
Accounts receivable		440,000	(380,000)
Inventory		20,000	127,000
Prepaid expenses		(485,000)	(11,000)
Other assets		-	(41,000)
Accounts payable, accrued expenses, and accrued interest		788,000	2,123,000
Deferred revenue and customer deposits		(177,000)	(479,000)
Deferred incentive compensation		-	1,042,000
Operating lease liability		(444,000)	(220,000)
Net cash used in operating activities		(16,294,000)	(8,118,000)
<b>Investing Activities:</b>			
Acquisition of subsidiary		-	(15,000,000)
Cash acquired from acquisition of subsidiary		229,000	557,000
Purchases of property and equipment		(317,000)	(146,000)
Net cash used by investing activities		(88,000)	(14,589,000)
<b>Financing Activities:</b>			
Proceeds from sale of common stock		16,781,000	18,525,000
Proceeds from sale of preferred stock		-	4,688,000
Proceeds from notes payable		1,367,000	1,300,000
Advances on future receipts		728,000	728,000
Proceeds from convertible note payable		-	432,000
Proceeds from warrant exercise		2,165,000	45,000
Proceeds from related party note payable		-	58,000
Payment of convertible notes payable		-	(2,025,000)
Payment of notes payable		-	(630,000)
Payment of acquisition note payable		(1,885,000)	-
Payment of related party notes payable		(100,000)	(58,000)
Payment of advances of future receipts		(1,842,000)	(7,000)
Net cash provided by financing activities		17,214,000	23,056,000
Net change in cash		832,000	349,000
Cash - beginning of period		983,000	634,000
Cash - end of period	\$	1,815,000	\$ 983,000
<b>Supplemental disclosures of cash flow information:</b>			
Cash paid for interest	\$	120,000	\$ 146,000
Cash paid for income taxes	\$	1,000	\$ 2,000
<b>Supplemental disclosure of non-cash investing and financing activities:</b>			
Fair value of class B units issued upon acquisition of subsidiary	\$	3,065,000	-
Fair value of common stock issued upon acquisition of subsidiary		-	\$ 7,820,000
Conversion of note payable and accrued interest to common stock		-	\$ 1,410,000
Fair value of derivative liability from issuance of convertible debt, inducement shares and warrant features	\$	3,951,000	\$ 6,561,000
Fair value of common shares, warrants and beneficial conversion feature of issued convertible note	\$	-	\$ 592,000
Offset of deferred offering costs to proceeds received	\$	-	\$ 162,000
Common stock issued to settle accounts payable	\$	-	\$ 10,000
Discount recognized from advances on future receipts	\$	285,000	\$ 285,000
Fair value of common stock issued for prepaid subscription agreement	\$	340,000	\$ -
Fair value of restricted awards returned – payroll taxes	\$	485,000	\$ -
Goodwill and intangible assets acquired from acquisition	\$	4,846,000	\$ 22,677,000
Assets acquired from the acquisition of subsidiary	\$	436,000	\$ 3,364,000
Liabilities assumed from the acquisition of subsidiary	\$	331,000	\$ 3,221,000
Issuance of note payable upon acquisition of subsidiary	\$	1,885,000	\$ -

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



## **Organization**

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

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

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

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

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

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

On April 12, 2019, we acquired Sound Concepts Inc. (“Sound Concepts”). The acquisition was intended to augment and diversify Verb’s internet and SaaS business (see Note 3).

On September 4, 2020, Verb Acquisition Co., LLC (“Verb Acquisition”), a subsidiary of the Company, entered into a Membership Interest Purchase Agreement (the “Purchase Agreement”) with Ascend Certification, LLC, dba SoloFire (“SoloFire”) for the acquisition of Solofire. The acquisition was intended to augment and diversify Verb’s internet and SaaS business (see Note 3).

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## **Nature of Business**

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

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

## **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 year ended December 31, 2020, the Company incurred a net loss of \$24,956,000 and used cash in operations of \$16,294,000. These factors raise substantial doubt about the Company’s ability to continue as a going concern within one year after the date of the financial statements being issued. The ability of the Company to continue as a going concern is dependent upon the Company’s ability to raise additional funds and implement its business plan. The financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

Subsequent to December 31, 2020, the Company generated cash in the aggregate of \$15,480,000 from the sale of our common stock as part of a public offering and exercise of stock options and warrants. In addition, the Company also received cash of \$4.4 million from advances from the sale of future receipts (see Note 20). Our continuation as a going concern is dependent on our ability to obtain additional financing until we can generate sufficient cash flows from operations to meet our obligations. We intend to continue to seek additional debt or equity financing to continue our operations. There is no assurance that we will ever be profitable or that debt or equity financing will be available to us. The consolidated financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should we be unable to continue as a going concern.

## **COVID-19**

In March 2020, the World Health Organization declared coronavirus COVID-19 a global pandemic. This contagious disease outbreak, which has continued to spread, has adversely affected workforces, customers, economies, and financial markets globally. It has also disrupted the normal operations of many businesses. This outbreak could decrease spending, adversely affect demand for the Company’s products, and harm the Company’s business and results of operations. In the three months ended June 30, 2020, we experienced some uncertainty regarding whether there would be variability in demand for the services we provide on our platform after lock-down measures were implemented. We expect demand variability for our products and services may continue as a result of the COVID-19 pandemic; however, our sales team reported a higher level of interest in our products and services during the year ended December 31, 2020. Although the impact has not been material to date, a prolonged downturn in economic conditions could have a material adverse effect on our customers and demand for our services. The Company has not observed any impairments of its assets or a significant change in the fair value of its assets due to the COVID-19 pandemic. At this time, it is not possible for the Company to predict the duration or magnitude of the adverse results of the outbreak and its effects on the Company’s business or results of operations, financial condition, or liquidity.

As of December 31, 2020, the Company has been following the recommendations of local health authorities to minimize exposure risk for its employees, including the temporary closure of its corporate office and having employees work remotely. Most vendors have transitioned to electronic submission of invoices and payments.

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Principles of Consolidation**

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

### ***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 derives its revenue primarily from providing application services through the SaaS application, digital marketing and sales support services, from the sale of customized print products and training materials, branded apparel, and digital tools, as demanded by its customers. The subscription revenue from the application services are recognized over the life of the estimated subscription period. The Company also charges certain customers setup or installation fees for the creation and development of websites and phone application. These fees are accounted as part of deferred revenue and amortized over the estimated life of the agreement. Amounts related to shipping and handling that are billed to customers are reflected as part of revenue, and the related costs are reflected in cost of revenue in the accompanying Statements of Consolidated Operations.

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

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

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

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

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

1. Digital Revenue which is divided into two main categories:
  - a. SaaS recurring digital revenue based on contract-based subscriptions to our verb app products and platform services which include verbCRM, verbLEARN, verbLIVE, and verbTeams. The revenue is recognized over the subscription period.
  - b. Non-SaaS, non-recurring digital revenue, which is revenue generated by the use of our app products and in-app purchases, such as sampling and other services obtained through the app. The revenue for samples is recognized upon completion and shipment, while the design fees are recognized when the service has been rendered and the app is delivered to the customer.
2. Non-digital revenue, which is revenue we generate from non-app, non-digital sources through ancillary services we provide as an accommodation to our clients and customers. These services, which we now outsource to a strategic partner as part of a cost reduction plan we instituted in 2020, include:
  - a. Design, printing services, and fulfillment. The revenue is recognized upon completion and shipment of products or fulfillment to the customer.
  - b. Shipping services. The revenue is recognized when the corresponding products or fulfillment are shipped.

Revenues during the years ended December 31, 2020 and 2019 were all generated from the United States of America.

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### ***Cost of Revenue***

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

### ***Concentration of Credit and Other Risks***

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

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

The Company’s concentration of credit risk includes its concentrations from key customers and vendors. The details of these significant customers and vendors are presented in the following table for year ended December 31, 2020 and 2019:

**Year Ended**

**Year Ended**

**Verb's largest customers are presented below as a percentage of Verb's aggregate:**

Revenues	None	1 major customer accounted for 13% of revenues
Accounts receivable	None	None

**Verb's largest vendors are presented below as a percentage of Verb's aggregate:**

Purchases	1 major vendor accounted for 40% of accounts payable individually and in aggregate	None
Accounts payable	2 major vendors accounted for 10% and 28% of accounts payable individually and 38% in aggregate	1 major vendor accounted for 14% of accounts payable individually and in aggregate

**Property and Equipment**

Property and equipment are recorded at historical cost and depreciated on a straight-line basis over their estimated useful lives of approximately five years once the individual assets are placed in service.

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**Leases**

We lease certain corporate office space and office equipment under lease agreements with monthly payments over a period of 36 to 94 months. Pursuant to ASC 840, Leases, lease assets are presented as operating lease right-of-use assets and the related liabilities are presented as lease liabilities in our consolidated balance sheets (see Note 5).

**Long-Lived Assets**

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

**Income Taxes**

The Company accounts for income taxes under Financial Accounting Standards Board's ("FASB") ASC 740 "Income Taxes." Under the asset and liability method of ASC 740, deferred tax assets and liabilities are recognized for the expected future tax consequences of events that have been included in the financial statements or tax returns. Under this method, deferred tax assets and liabilities are determined based on the differences between the financial reporting and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The deferred tax assets of the Company relate primarily to operating loss carry-forwards for federal income tax purposes. A full valuation allowance for deferred tax assets has been provided because the Company believes it is not more likely than not that the deferred tax asset will be realized. Realization of deferred tax assets is dependent on the Company generating sufficient taxable income in future periods.

The Company periodically evaluates its tax positions to determine whether it is more likely than not that such positions would be sustained upon examination by a tax authority for all open tax years, as defined by the statute of limitations, based on their technical merits. The Company accrues interest and penalties, if incurred, on unrecognized tax benefits as components of the income tax provision in the accompanying consolidated statements of operations. As of December 31, 2020, and 2019, the Company has not established a liability for uncertain tax positions.

**Derivative Financial Instruments**

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

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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 Payment**

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

The Company values stock options using the Black-Scholes option pricing model. Assumptions used in the Black-Scholes model to value options issued during the years ended December 31, 2020 and 2019 are as follows:

Year Ended

Year Ended

	December 31, 2020	December 31, 2019
Expected life in years	3.0, 4.0 and 5.0	1.0, 2.0 and 5.0
Stock price volatility	255%-271%	180%-414%
Risk free interest rate	0.17-0.39%	1.51-2.75%
Expected dividends	0%	0%
Forfeiture rate	21.2 – 21.3%	22.48%

The risk-free interest rate was based on rates established by the Federal Reserve Bank. 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.

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### **Research and Development Costs**

Research and development costs consist of expenditures for the research and development of new products and technology. These costs are primarily expenses to vendors contracted to perform research projects and develop technology for the Company's cloud-based, Verb interactive video CRM SaaS platform.

### **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 December 31, 2020, and 2019, the Company had total outstanding options of 6,031,775 and 4,233,722, respectively, and warrants of 13,351,251 and 10,930,991, respectively, and outstanding restricted stock awards of 2,185,946 and 1,486,354, respectively, and 2,642,159 shares common shares potentially issuable from our Class B Units that were issued in August 2020, were excluded from the computation of net loss per share because they are anti-dilutive.

### **Acquisitions and Business Combinations**

The Company allocates the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and separately identified intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill. Such valuations require management to make significant estimates and assumptions, especially with respect to intangible assets. Significant estimates in valuing certain intangible assets include, but are not limited to, future expected cash flows from, acquired technology, trade-marks and trade names, useful lives, and discount rates. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, which is the period needed to gather all information necessary to make the purchase price allocation, not to exceed one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

### **Goodwill**

In accordance with FASB ASC Topic No. 350, Intangibles-Goodwill and Other, the Company reviews the recoverability of the carrying value of goodwill 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). Recoverability of goodwill is determined by comparing the fair value of Company's reporting unit 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. As of December 31, 2020 and 2019, management determined there were no indications of impairment.

### **Intangible Assets with Finite Useful Lives**

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

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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. As of December 31, 2020 and 2019 there was no impairment of intangible assets.

### **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.

### **Segments**

The Company has acquired two operating subsidiaries, Verb Direct and Ascend Certification (see Note 3) with various revenue channels. Operations of these two subsidiaries are integrated since they have similar customer base and the Company having a single sales team, marketing department, customer service department, operations department, finance and accounting department to support its operations. 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 or segment.

**Recent Accounting Pronouncements**

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

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. ACQUISITIONS**

**a. ACQUISITION OF VERB DIRECT**

On April 12, 2019, Verb completed its previously announced acquisition of Verb Direct through a two-step merger, consisting of merging Merger Sub 1 with and into Sound Concepts, with Sound Concepts surviving the “first step” of the merger as a wholly-owned subsidiary of Verb (and the separate corporate existence of Merger Sub 1 then having ceased) and, immediately thereafter, merging Sound Concepts (as of the closing of the first step, then known as Verb Direct, Inc.) with and into Merger Sub 2, with Merger Sub 2 surviving the “second step” of the merger, such that, upon the conclusion of the “second step” of the merger, the separate corporate existence of Verb Direct, Inc. (formerly Sound Concepts) then having ceased and Merger Sub 2 continued its limited liability company existence under Utah law as the surviving entity and as a wholly-owned subsidiary of Verb, then known as Verb Direct. On the terms and subject to the conditions set forth in the Merger Agreement, at the effective time of the merger, each share of Sound Concepts Capital Stock issued and outstanding immediately prior to the effective time, was cancelled in exchange for cash payment by Verb of an aggregate of \$15,000,000, and the issuance of an aggregate of 3,327,791 restricted shares of Verb’s Common Stock. The Acquisition Cash Payment was paid using a portion of the net proceeds Verb received as a result of the public offering of the units. Pursuant to the requirements of current accounting guidance, Verb valued the acquisition shares at \$7,820,000, the fair value of the shares at the closing date of the transaction.

The acquisition was intended to augment and diversify Verb’s internet and SaaS business. Key factors that contributed to the recorded goodwill and intangible assets in the aggregate of \$22,677,000 were the opportunity to consolidate and complement existing operations of Verb, certain software and customer list, and the opportunity to generate future synergies within the internet and SaaS business.

The allocation of the purchase price was determined with the assistance of a valuation specialist. The following table summarizes the assets acquired, liabilities assumed and purchase price allocation:

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

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

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

**b. ACQUISITION OF ASCEND CERTIFICATION**

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

The acquisition was intended to augment and diversify Verb’s SaaS business. Key factors that contributed to the recorded provisional goodwill and intangible assets in the aggregate of \$4,845,000 were the opportunity to consolidate and complement existing operations of Verb, certain software and customer list, and the opportunity to generate future synergies within the SaaS business.

Verb is required to allocate the purchase price to the acquired tangible assets, identifiable intangible assets, and assumed liabilities based on their fair values. As of December 31, 2020, management has not yet finalized the purchase price allocation. The fair values of the assets acquired, as set forth below, are considered provisional and subject to

adjustment as additional information is obtained through the purchase price measurement period (a period of up to one year from the closing date). Any prospective adjustments would change the fair value allocation as of the acquisition date. The Company is still in the process of reviewing underlying models, assumptions and discount rates used in the valuation of provisional goodwill and intangible assets. The following table summarizes the provisional fair value of the assets assumed and liabilities acquired and the provisional purchase price allocation on the date of acquisition:

<b>Assets Acquired:</b>		
Cash	\$	229,000
Accounts receivable		207,000
		\$ 436,000
<b>Liabilities Assumed:</b>		
Current liabilities		(241,000)
Long-term liabilities		(90,000)
		(331,000)
Intangible assets (provisional)		1,122,000
Goodwill (provisional)		3,723,000
Purchase Price	\$	<b>4,950,000</b>

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

The provisional intangible assets, which consist of developed technology of \$1,000,000 are being amortized over 5-years, customer relationships of \$70,000 are being amortized over 3 years, non-competition clause of \$50,000 is being amortized over 3 years, and domain names of \$2,000 are determined to have infinite lives but will be tested for impairment on an annual basis.

During the year ended December 31, 2020 and 2019, the Company recorded amortization expense of \$1,335,000 and \$975,000, respectively, related to the intangibles discussed above. The following table summarizes the amortization expense for both Verb Direct and Ascend to be recorded in future periods for intangible assets that are subject to amortization and excludes intangible assets with infinite life (i.e. domain names) of \$442,000:

<b>Year ending</b>	<b>Amortization</b>	
2021	\$	1,435,000
2022		1,375,000
2023		1,302,000
2024		465,000
2025 and thereafter		133,000
Total amortization	\$	<b>4,710,000</b>

The following unaudited pro forma statements of operations present the Company's pro forma results of operations after giving effect to the purchase of Verb Direct and Verb Acquisition based on the historical financial statements of the Company, Verb Direct, and Verb Acquisition. The unaudited pro forma statements of operations for the year ended December 31, 2020 and 2019 give effect to the transaction as if they had occurred on January 1, 2019.

	<b>Year Ended December 31, 2020</b>	<b>Year Ended December 31, 2019</b>
	<b>(Proforma, unaudited)</b>	<b>(Proforma, unaudited)</b>
SaaS recurring subscription revenue	\$ 6,077,000	\$ 4,625,000
Other digital revenue	1,384,000	1,698,000
Design, printing, and fulfilment	2,744,000	6,178,000
Shipping	723,000	1,624,000
Total Revenue	<u>10,928,000</u>	<u>14,125,000</u>
Cost of revenue	<u>4,980,000</u>	<u>7,322,000</u>
Gross margin	5,948,000	6,803,000
Operating expenses	30,679,000	23,135,000
Other expense, net	<u>(218,000)</u>	<u>(99,000)</u>
Loss before income tax provision	(24,949,000)	(16,332,000)
Income tax provision	<u>1,000</u>	<u>2,000</u>
Net loss	(24,950,000)	(16,431,000)
Deemed dividend to Series A preferred	(3,951,000)	-
<b>Net loss to common stockholders</b>	<b><u>\$ (28,901,000)</u></b>	<b><u>\$ (16,433,000)</u></b>

Pursuant to the provisions of ASC 805, the following results of operations of Verb Direct and Verb Acquisition subsequent to the acquisitions are as follows:

	<b>Verb Direct April 1, 2019 through December 31, 2019</b>	<b>Verb Acquisition September 1, 2020 through December 31, 2020</b>
Revenue	\$ 9,041,000	\$ 128,000
Cost of revenue	4,766,000	139,000
Operating expenses	6,208,000	889,000
Other expense	11,000	22,000
Net loss	<b><u>\$ (1,944,000)</u></b>	<b><u>\$ (900,000)</u></b>

These amounts were included in the accompany Consolidated Statement of Operations.

#### 4. PROPERTY AND EQUIPMENT

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

	<u>December 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Computers	\$ 29,000	\$ 29,000
Furniture and fixture	75,000	75,000
Machinery and equipment	39,000	39,000
Leasehold improvement	1,058,000	741,000
Total property and equipment	<u>1,201,000</u>	<u>884,000</u>
Accumulated depreciation	(339,000)	(164,000)
Total property and equipment, net	<u>\$ 862,000</u>	<u>\$ 720,000</u>

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Depreciation expense amounted to \$175,000 and \$67,000 for the year ended December 31, 2020 and 2019, respectively.

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

The Company leases certain warehouse, corporate office space and equipment under an operating lease agreement. We determine if an arrangement is a lease at inception. Lease assets are presented as operating lease right-of-use assets and the related liabilities are presented as lease liabilities in our consolidated balance sheets pursuant to ASC 842, Leases.

Operating lease right-of-use (“ROU”) assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Generally, the implicit rate of interest in lease arrangements is not readily determinable and the Company utilizes its incremental borrowing rate in determining the present value of lease payments. The Company’s incremental borrowing rate is a hypothetical rate based on its understanding of what its credit rating would be. The operating lease ROU asset includes any lease payments made and excludes lease incentives.

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

	<u>Period Ended</u> <u>December 31, 2020</u>	<u>Period Ended</u> <u>December 31, 2019</u>
<u>Lease cost</u>		
Operating lease cost (included in general and administration in the Company’s statement of operations)	\$ 520,000	\$ 499,000
<u>Other information</u>		
Cash paid for amounts included in the measurement of lease liabilities	\$ 577,000	\$ 366,000
Weighted average remaining lease term – operating leases (in years)	4.54	5.25
Average discount rate – operating leases	4.0%	4.0%
	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<u>Operating leases</u>		
Right-of-use assets	<u>\$ 2,730,000</u>	<u>\$ 3,275,000</u>
Short-term operating lease liabilities	\$ 596,000	\$ 391,000
Long-term operating lease liabilities	<u>2,943,000</u>	<u>3,591,000</u>
Total operating lease liabilities	<u>\$ 3,539,000</u>	<u>\$ 3,982,000</u>

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<u>Year ending</u>	<u>Operating Leases</u>
2021	776,000
2022	751,000
2023	773,000
2024	472,000
2025 and thereafter	<u>1,189,000</u>
Total lease payments	3,961,000
Less: Imputed interest/present value discount	<u>(422,000)</u>
Present value of lease liabilities	<u>\$ 3,539,000</u>

#### 6. ADVANCE ON FUTURE RECEIPTS

The Company has the following advances on future receipts as of December 31, 2020:

<u>Note</u>	<u>Issuance Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Borrowing</u>	<u>Balance at</u> <u>December 31, 2020</u>	<u>Balance at</u> <u>December 31, 2019</u>
Note 1	December 24, 2019	June 30, 2020	28%	\$ 506,000	\$ -	\$ 503,000
Note 2	December 24, 2019	June 30, 2020	28%	506,000	-	503,000
Note 3	June 30, 2020	February 25, 2021	28%	506,000	89,000	-

Note 4	June 30, 2020	February 25, 2021	28%	506,000	88,000	-
Total				\$ 1,012,000	177,000	1,006,000
Debt discount					(67,000)	(274,000)
Net					\$ 110,000	\$ 732,000

#### Note 1 and 2

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

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

During the year ended December 31, 2020, the Company paid the entire amount due of \$1,006,000 and amortized the corresponding debt discount for \$274,000.

#### Note 3 and 4

On June 30, 2020, the Company received two secured advances from the same unaffiliated third party totaling \$728,000 for the purchase of future receipts/revenues of \$1,012,000. Pursuant to the terms of the agreement the unaffiliated third-party will auto withdraw an aggregate of \$6,000 from the Company's operating account each banking day. The term of the agreement extends until the advances are paid in full. The notes did not bear any interest, however, the interest was imputed at a rate of 28% based on the face value of the note. The Company may pay off either note for \$446,000 if paid within 30 days of funding; for \$465,000 if paid between 31 and 60 days of funding; or for \$484,000 if paid within 61 to 90 days of funding. These advances are secured by the Company's tangible and intangible assets. As a result, the Company recorded a liability of \$1,012,000 to account for the future receipts sold and a debt discount of \$284,000 to account for the difference between the future receipts sold and the cash received. The debt discount is being amortized over the term of the agreement.

During the year ended December 31, 2020, the Company paid \$835,000 of the balance outstanding and amortized \$218,000 of the debt discount. As of December 31, 2020 outstanding balance of the notes amounted to \$177,000 and the unamortized balance of the debt discount was \$67,000.

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## 7. NOTES PAYABLE – RELATED PARTIES

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

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at December 31, 2020	Balance at December 31, 2019
Note 1 (A)	December 1, 2015	February 8, 2021	12.0%	\$ 1,249,000	\$ 725,000	\$ 825,000
Note 2 (B)	December 1, 2015	April 1, 2017	12.0%	112,000	112,000	112,000
Note 3 (C)	April 4, 2016	June 4, 2021	12.0%	343,000	240,000	240,000
Note 4 (D)	March 22, 2019	April 30, 2019	5.0%	58,000	-	-
Total notes payable – related parties					1,077,000	1,177,000
Non-current					-	(1,065,000)
Current					\$ 1,077,000	\$ 112,000

(A) On December 1, 2015, the Company issued a convertible note payable to Mr. Rory J. Cutaia, the Company's majority stockholder and Chief Executive Officer, to consolidate all loans and advances made by Mr. Cutaia to the Company as of that date. The note bears interest at a rate of 12% per annum, secured by the Company's assets, and matured on February 8, 2021, as amended. A total of 30% of the original note balance or \$375,000 was convertible to common stock and was converted in 2018 while the remaining note balance of \$825,000 is not convertible. As of December 31, 2019, outstanding balance of the note amounted to \$825,000.

During the year ended December 31, 2020, the Company made payments of \$100,000. As of December 31, 2020, the outstanding balance of the note amounted to \$725,000. Subsequent to December 31, 2020, the Company extended the note to February 8, 2023 with no changes to the other terms of the note agreement.

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

As of December 31, 2020 and 2018, the outstanding principal balance of the note amounted to \$112,000, respectively. As of December 31, 2020, the note was past due, and remains past due. The Company is currently in negotiations with the noteholder to settle the past due note.

(C) On April 4, 2016, the Company issued a convertible note to Mr. Cutaia, in the amount of \$343,000, to consolidate all advances made by Mr. Cutaia to the Company during the period December 2015 through March 2016. A total of 30% of the original note balance or \$103,000 was convertible to common stock and was converted in 2018 while the remaining note balance of \$240,000 is not convertible. The note bears interest at a rate of 12% per annum, is secured by the Company's assets, and will mature on June 4, 2021, as amended.

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

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(D) On March 22, 2019, the Company issued a note payable to Mr. Jeffrey Clayborne, the Company's Chief Financial Officer, in the amount of \$58,000. The note was unsecured, bore interest at a rate of 5% per annum, and matured on April 30, 2019.

On April 11, 2019, the Company paid off the balance of \$58,000 and there was no outstanding balance as of December 31, 2020 and 2019.

Total interest expense for notes payable to related parties was \$141,000 for the year ended December 31, 2020 and 2019, respectively. The Company paid \$100,000 of principal and 2020. In addition, the Company paid \$120,000 and \$101,000 in interest related to these notes for the year ended December 31, 2020 and 2019, respectively.



## 8. DEFERRED INCENTIVE COMPENSATION TO OFFICERS

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

- (A) On December 23, 2019, the Company awarded Rory Cutaia, Chief Executive Officer and Jeff Clayborne, Chief Financial Officer Annual Incentive Compensation of \$430,000 and \$125,000, respectively for services rendered. The Company has determined that it is in its best interest and in the best interest of its stockholders to defer payments to the Employees. The Company will pay 50% of the Annual Incentive Compensation on January 10, 2021 and the remaining 50% on January 10, 2022. Subsequent to December 31, 2020, the Company paid \$215,000 of the amount due and will pay the remaining \$63,000 during the remainder of 2021.
- (B) On December 23, 2019, the Company awarded Rory Cutaia, Chief Executive Officer and Jeff Clayborne, Chief Financial Officer received a bonus for the successful Up-Listing to Nasdaq and Acquisition of Verb Direct during fiscal 2019, totaling \$324,000 and \$163,000, respectively. The Company has determined that it is in its best interest and in the best interest of its stockholders to defer payments to the Employees. The Company will pay 50% of the Nasdaq Up-Listing Award on January 10, 2021 and the remaining 50% on January 10, 2022. Subsequent to December 31, 2020, the Company paid \$162,000 of the amount due and will pay the remaining \$82,000 during remainder of 2021.

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## 9. NOTES PAYABLE

The Company has the following outstanding notes payable as of December 31, 2020:

Note	Issuance Date	Maturity Date	Interest Rate	Balance at December 31, 2020
Note A	April 17, 2020	April 17, 2022	1.00%	\$ 1,218,000
Note B	May 15, 2020	May 15, 2050	3.75%	150,000
Note C	May 1, 2020	May 1, 2022	3.75%	90,000
Note D	September 4, 2020	October 1, 2020	0.14%	-
Total notes payable				\$ 1,458,000

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

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Company to be ineligible for forgiveness of the loan, in whole or in part. As for the potential loan forgiveness, once the PPP loan is, in part or wholly, forgiven and a legal release is received, the liability would be reduced by the amount forgiven and a gain on extinguishment would be recorded. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The Company was in compliance with the terms of the PPP loan as of December 31, 2020.

On January 4, 2020 the entire note and accrued interest was forgiven and will be accounted as a gain in fiscal 2021.

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

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

- (C) As a result of the acquisition of Solofire in September 2020, the Company assumed Solofire’s PPP loan of \$90,000 it obtained in May 2020 under the Paycheck Protection Program (“PPP”) (see discussion “a”). The Company is currently in the process of applying for the forgiveness of the PPP loan.
- (D) On September 4, 2020, Verb Acquisition issued a note payable to the owners of SoloFire, in the amount of \$1,885,000, as adjusted, as part of the consideration related to the acquisition of SoloFire. The note bears interest at a rate of 0.14% per annum, and was paid in full on October 1, 2020.

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## 10. CONVERTIBLE SERIES A PREFERRED STOCK and WARRANT OFFERING

On August 14, 2019, we entered into the SPA with the Preferred Purchasers, pursuant to which we agreed to issue and sell to the Preferred Purchasers up to an aggregate of 6,000 shares of Series A Preferred Stock (which, at the initial conversion price, are convertible into an aggregate of up to approximately 3.87 million shares of Common Stock) and the August Warrants to purchase up to an equivalent number of shares of Common Stock. We closed the offering on August 14, 2019, and issued 5,030 shares of

Series A Preferred Stock and granted the August Warrants to purchase up to 3,245,162 shares of Common Stock in connection therewith. We received proceeds of \$4,688,000, net of direct costs of \$342,000. The offering was made in reliance upon an exemption from the registration requirements of the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(a)(2) thereof, and Rule 506 promulgated thereunder, as a transaction by an issuer not involving any public offering.

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

On September 16, 2019, we filed a registration statement on Form S-3 with the SEC to register the shares of Common Stock underlying the Series A Preferred Stock and the August Warrants. The registration statement was declared effective on September 19, 2019. We have agreed to keep such registration statement continuously effective for a period of 24 months.

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

The holders of the Series A Preferred Stock have no voting rights. However, we cannot, without the affirmative vote of the holders of a majority of the then-outstanding shares of the Series A Preferred Stock, (a) alter or change adversely the rights, preferences, or restrictions given to the Series A Preferred Stock or alter or amend the Certificate of Designation, (b) authorize or create any class of stock ranking as to dividends, redemption, or distribution of assets upon a liquidation senior to, or otherwise pari passu with, the Series A Preferred Stock, (c) amend our Articles of Incorporation, or other charter documents in any manner that materially and adversely affects any rights of the holders, (d) increase the number of authorized shares of Series A Preferred Stock, or (e) enter into any agreement with respect to any of the foregoing.

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The holders of Series A Preferred Stock cannot convert the Series A Preferred Stock if, after giving effect to the conversion, the number of shares of our Common Stock beneficially held by the holder (together with such holder's affiliates) would be in excess of 4.99% (or, upon election by a holder prior to the issuance of any shares, 9.99% of the number of shares of Common Stock issued and outstanding immediately after giving effect to the issuance of any shares of Common Stock issuance upon conversion of the Series A Preferred Stock held by the holder). The conversion price of the Series A Preferred Stock is subject to certain customary adjustments, including upon certain subsequent equity sales and rights offerings.

We are also prevented from issuing shares of Common Stock upon conversion of the Series A Preferred Stock or exercise of the August Warrants, which, when aggregated with any shares of Common Stock issued on or after the issuance date and prior to such conversion date or exercise date, as applicable (i) in connection with any conversion of the Series A Preferred Stock issued pursuant to the SPA, (ii) in connection with the exercise of any August Warrants issued pursuant to the SPA, and (iii) in connection with the exercise of any warrants issued to any registered broker-dealer as a fee in connection with the issuance of the securities pursuant to the SPA, would exceed 4,459,725 shares of Common Stock (the "19.99% Cap"). This prohibition will terminate upon the approval by our stockholders of a release from such 19.99% Cap.

The August Warrants have an initial exercise price of \$1.88 per share, subject to customary adjustments, are exercisable six months after the date of issuance, and will expire five years from the date of issuance. The exercise price is subject to certain customary adjustments, including upon certain subsequent equity sales and rights offerings. In addition, the August Warrants also included a fundamental transaction provision that could give rise to an obligation to pay cash to the warrant holder. As a result, the August Warrants are accounted as derivative liability with a fair value upon issuance in 2019 of \$6,173,000, of which, \$4,688,000 was recorded as a reduction to additional paid in capital while the remaining fair value of \$1,485,000 was accounted for as a financing cost during the year ended December 31, 2019.

During the year ended December 31, 2020, in preparation for private placement offering, the Company separately negotiated with certain Series A stockholders to waive their rights in order not to ratchet down the conversion price of their Series A preferred shares. In return for the waiver, the Company granted these Series A stockholders warrants to purchase 2,303,861 shares of Common Stock valued at \$3,951,000 (see Note 12).

During the year ended December 31, 2020 and 2019, 2,390 and 634 shares of Preferred Stock were converted into 1,768,909 and 409,032 shares of Common Stock. As of December 31, 2020, 1,706 shares Series A Preferred stock are outstanding.

**11. DERIVATIVE LIABILITY**

Under authoritative guidance used by the FASB on determining whether an instrument (or embedded feature) is indexed to an entity's own stock, instruments that do not have fixed settlement provisions are deemed to be derivative instruments. The Company issued certain convertible note whose conversion price contains reset provisions based on a discounted future market price. However, since the number of shares to be issued is not explicitly limited, the Company is unable to conclude that enough authorized and unissued shares are available to settle the conversion option. In addition, the Company also 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 conversion feature of the notes and 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:

	December 31, 2020	Upon Issuance 2020	December 31, 2019	Upon Issuance 2019
Stock Price	\$ 1.65	\$ 1.70	\$ 1.55	\$ 4.78
Exercise Price	\$ 1.41	\$ 1.55	\$ 1.88	\$ 3.76
Expected Life	3.17	5.0	3.53	2.75
Volatility	107%	212%	216%	192%
Dividend Yield	0%	0%	0%	0%
Risk-Free Interest Rate	0.23%	2.47%	1.64%	1.99%
Warrants	\$ 8,266,000	\$ 3,951,000	\$ 5,048,000	\$ 6,173,000
Convertible Notes	-	-	-	388,000
Total Fair Value	\$ 8,266,000	\$ 3,951,000	\$ 5,048,000	\$ 6,561,000

The expected life of the note and 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.

As of December 31, 2018, the outstanding fair value of the derivative liability amounted to \$2,576,000.

During the year ended December 31, 2019, the Company recorded derivative liabilities of \$388,000 as a result of the issuance of a convertible note and \$6,173,000 as a result of the issuance of the August Warrants issued as part of the Company's Series A Preferred Stock offering, or an aggregate of \$6,561,000. The Company recorded a charge of (\$1,862,000) to account for the changes in the fair value of these derivative liabilities for the year ended December 31, 2019. In addition, the Company also recorded a gain on debt extinguishment of \$2,227,000 to account for the extinguishment of derivative liabilities associated with the settlement of all convertible debt accounted as derivative liability. At December 31, 2019, the fair value of the derivative liability amounted to \$5,048,000.

During the year ended December 31, 2020, the Company recorded a derivative liability of \$3,951,000 as a result of the issuance of 2,303,861 warrants to acquire common stock to Series A Preferred stockholders that contained a fundamental transaction clause (see Note 12). The Company recorded a charge of (\$574,000) to account for the changes in the fair value of these derivative liabilities during year ended December 31, 2020. In addition, 95,000 shares of the Series A warrants that were accounted as derivative liability were exercised. As result, the Company computed the fair value of the corresponding derivative liability one last time which amounted to \$159,000 and the pursuant to current accounting guidelines, the extinguishment was accounted as part of equity.

At December 31, 2020, the fair value of the derivative liability amounted to \$8,266,000. The details of derivative liability transactions for the year ended December 31, 2020 are as follows:

	December 31, 2020	December 31, 2019
Beginning balance	\$ 5,048,000	\$ 2,576,000
Fair value upon issuance of notes payable and/or warrants	3,951,000	6,561,000
Change in fair value	(574,000)	(1,862,000)
Extinguishment	(159,000)	(2,227,000)
<b>Ending balance</b>	<b>\$ 8,266,000</b>	<b>\$ 5,048,000</b>

## 12. COMMON STOCK

The following were Common Stock transactions during the year ended December 31, 2020:

### *Sale of common stock from private placement*

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

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

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

In preparation for this private placement offering, the Company separately negotiated with certain Series A stockholders to waive their rights in order not to ratchet down the conversion price of their Series A preferred shares (see Note 10). In return for the waiver, the Company granted these Series A stockholders warrants to purchase 2,303,861 shares of Common Stock. The warrants are exercisable in August 2020, expire in 5 years and are exercisable at \$1.20 per share, as adjusted. The exercise price is subject to certain customary adjustments, including subsequent equity sales and rights offerings. In addition, the warrants also included a fundamental transaction provision that could give rise to an obligation to pay cash to the warrant holder. As a result of this fundamental transaction provision, the warrants were accounted as derivative liability with a fair value upon issuance of \$3,951,000 upon issuance. The Company accounted the fair value of \$3,951,000 as a deemed dividend since if the down round provision of the Series A preferred shares had occurred, it would have been accounted as a deemed dividend due to it providing additional value to the Series A stockholders.

### *Sale of common stock from public offering*

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

### *Shares Issued for Services*

During the year ended December 31, 2020, the Company issued 1,007,583 shares of Common Stock to vendors for services rendered and to be rendered with a fair value of \$1,190,000. These shares of Common Stock were valued based on the market value of the Company's Common Stock price at the issuance date or the date the Company entered into the agreement related to the issuance. During the year ended December 31, 2020 the Company expensed \$1,035,000 to selling, general, and administrative for services rendered. At December 31, 2020, common stock issued in fiscal 2020 with fair value of \$155,000 was recorded as prepaid expense as the corresponding services has not been rendered to the Company.

The following were Common Stock transactions during the year ended December 31, 2019:

### *Shares and Warrants Issued as Part of the Company's Underwritten Public Offering*

On April 4, 2019, we entered into an Underwriting Agreement (the "Underwriter Agreement") with A.G.P./Alliance Global Partners, as representative of the several underwriters named therein (the "Underwriter" or "AGP"), relating to a firm commitment public offering (the "Public Offering") of 6,389,776 units (the "Units") consisting of an aggregate of (i) 6,389,776 shares (the "Firm Shares") of Common Stock, and (ii) warrants to purchase up to 6,389,776 shares of Common Stock (the "Firm Warrants"; and the shares of Common Stock issuable from time to time upon exercise of the Firm Warrants, the "Firm Warrant Shares"), at a public offering price of \$3.13 per Unit.

Pursuant to the Underwriting Agreement, we also granted the Underwriter an option, exercisable for 45 days, to purchase up to 958,466 additional Units, consisting of an aggregate of (x) 958,466 shares of Common Stock (the “Option Shares”; and, together with the Firm Shares, the “Shares”) and (y) warrants to purchase up to 958,466 shares of Common Stock (the “Option Warrants”; and together, with the Firm Warrants, the “Warrants”; and the shares of Common Stock issuable from time to time upon exercise of the Option Warrants, the “Option Warrant Shares”; and, together with the Firm Warrant Shares, the “Warrant Shares”). The Warrants have an initial per share exercise price of \$3.443, subject to customary adjustments, are exercisable immediately, and will expire five years from the date of issuance, or April 9, 2024.

On April 9, 2019, we closed the Public Offering and issued 6,389,776 Units, consisting of an aggregate of 6,389,776 Firm Shares and Firm Warrants to purchase up to an aggregate of 6,389,776 Firm Warrant Shares. In connection with the closing, the Underwriter partially exercised its over-allotment option and purchased an additional 159,820 Units, consisting of an aggregate of 159,820 Option Shares and Option Warrants to purchase up to an aggregate of 159,820 Option Warrant Shares. In the aggregate, we issued 6,549,596 shares of common stock and received net proceeds of approximately \$18,525,000, net of underwriting commissions and other offering expenses in the aggregate of \$2,138,000. Included in the offering expenses were \$162,000 in various legal and professional expenses that were incurred and paid in fiscal 2018 and accounted for as a deferred offering costs as of December 31, 2018. This amount was derecognized upon close of the public offering in April 2019 and was recorded as a reduction to paid in capital.

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In connection with the Public Offering, we also issued the Underwriter warrants to purchase up to 319,488 shares of our Common Stock (the “Underwriter Warrants”), at an exercise price of \$3.913. The Underwriter Warrants are exercisable at any time, and from time to time, in whole or in part, during the four-year period commencing one year from the effective date of the Registration Statement.

**Shares Issued for the Acquisition of Verb Direct** – In April 2019, we issued 3,327,791 shares of Common Stock with a fair value of \$7,820,000 as part of our acquisition of Verb Direct. See Note 3, *Acquisition of Verb Direct*, for additional information.

**Shares Issued for Services** – During the year ended December 31, 2019, the Company issued 579,334 shares of Common Stock to vendors for services rendered with a fair value of \$1,162,000. These shares of Common Stock were valued based on the market value of the Company’s Common Stock price at the issuance date or the date the Company entered into the agreement related to the issuance.

**Shares Issued Upon Issuance of Convertible Note** – During the year ended December 31, 2019, the Company issued to a note holder 25,272 shares of Common Stock with a fair value of \$182,000 as an inducement for the issuance of a note payable. See Note 9, *Convertible Notes Payable*, for additional information.

**Conversion of Notes Payable** – During the year ended December 31, 2019, the Company issued 780,619 shares of Common Stock upon conversion of notes payable and accrued interest. See Note 6, *Notes Payable*, and Note 9, *Convertible Notes Payable*, for additional information.

**Conversion of Accounts Payable** – On April 30, 2019, the Company converted accounts payable in the amount of \$10,000 into 4,142 shares of Common Stock with a fair value of \$10,000 at the date of conversion.

### 13. RESTRICTED STOCK UNITS

On December 20, 2019, we held the 2019 Annual Meeting of Stockholders (the “Meeting”), at which our stockholders approved and adopted the Verb Technology Company, Inc. 2019 Omnibus Incentive Plan (the “Plan”).

A summary of restricted stock unit activity for the years ended December 31, 2020 and 2019 are presented below.

	Shares	Fair Value	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2018	-	\$ -	\$ -
Granted	1,923,001	2,615,000	1.36
Vested	(436,647)	(616,000)	1.36
Forfeited	-	-	-
Non-vested at December 31, 2019	1,486,354	\$ 1,999,000	\$ 1.36
Granted	2,871,471	3,391,000	1.18
Vested/deemed vested, net of 336,533 returned shares for payroll taxes	(1,773,440)	(3,355,000)	1.31
Forfeited	(61,906)	(92,000)	1.47
Non-vested at December 31, 2020	2,185,946	\$ 1,943,000	\$ 1.17

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#### A summary of activity for the year ended December 31, 2020:

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

During the year ended December 31, 2020, the Company granted an additional 2,282,373 shares of its restricted stock to employees and members of Board of Directors. The Restricted Stock Units vest in various dates, starting on grant date up to July 2024. These Restricted Stock Units were valued based on market value of the Company’s stock price at the respective date of grant and had aggregate fair value of \$2,525,000, which is being amortized as stock compensation expense over its vesting term.

During the year ended December 31, 2020, 336,533 shares granted to various employees that vested were returned to the Company in exchange for the Company paying the corresponding income and payroll taxes of these employees amounting \$485,000. Pursuant to current accounting guidelines, the Company accounted the return of the 336,533 shares and the payment of \$485,000 for income and payroll taxes paid on behalf the employees as a reduction in additional paid in capital.

The total fair value of restricted stock unit that vested or deemed vested for the year ended December 31, 2020 was \$3,355,000 and is included in selling, general and administrative expenses in the accompanying statements of operations. As of December 31, 2020 the amount of unvested compensation related to issuances of restricted stock unit was \$1,943,000 which will be recognized as an expense in future periods as the shares vest. When calculating basic net income (loss) per share, these shares are included in weighted average common shares outstanding from the time they vest. When calculating diluted net income (loss) per share, these shares are included in weighted average common shares outstanding as of their grant date.

A summary of activity for the year ended December 31, 2019:

On December 23, 2019, the Company granted 1,923,001 restricted stock units to employees and directors. The restricted stock units vest starting on grant date through January 10, 2022. These restricted stock units were valued based on market value of the Company's stock price at the date of grant and had aggregate fair value of \$2,615,000.

The total fair value of restricted stock unit vested during the year ended December 31, 2019 was \$616,000 respectively, and is included in selling, general and administrative expenses in the accompanying Consolidated Statements of Operations.

**14. STOCK OPTIONS**

On December 20, 2019, the Company adopted its 2019 Omnibus Incentive Plan (the "Plan").

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A summary of option activity for the years ended December 31, 2020 and 2019 are presented below.

	<u>Options</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at December 31, 2018	2,478,974	\$ 5.25	2.93	\$ -
Granted	2,531,971	2.07	-	-
Forfeited	(777,223)	6.42	-	-
Exercised	-	-	-	-
Outstanding at December 31, 2019	4,233,722	1.73	2.54	995,000
Granted	2,111,308	1.35	-	-
Forfeited	(313,255)	2.53	-	-
Exercised	-	-	-	-
Outstanding at December 31, 2020	<u>6,031,775</u>	<u>\$ 1.55</u>	<u>2.68</u>	<u>\$ 1,932,000</u>
Vested December 31, 2020	2,979,724	\$ 1.71		\$ 945,000
Exercisable at December 31, 2020	2,036,652	\$ 2.00		\$ 522,000

At December 31, 2020 and December 31, 2019, the intrinsic value was \$1,935,000 and \$995,000, respectively.

The following were stock options transactions during the year ended December 31, 2020:

During the year ended December 31, 2020, the Company granted stock options to employees and consultants to purchase a total 2,111,308 shares of Common Stock for services rendered. The options have an average exercise price of \$1.35 per share, expire between four and five years, vesting from 0.43 and four years from grant date. The total fair value of these options at grant date was approximately \$2,438,000 using the Black-Scholes Option Pricing model. The total stock compensation expense recognized relating to the vesting of stock options for the year ended December 31, 2020 amounted to \$1,728,000. As of December 31, 2020, the total unrecognized stock-based compensation expense was \$4,146,000, which is expected to be recognized as part of operating expense through December 2024.

The following were stock options transactions during the year ended December 31, 2019:

On December 23, 2019, the Company amended the exercise price of stock options of certain employees and consultants granted in prior period to purchase 1,340,333 shares of common stock to \$1.36 per share. As a result of this amendment, the Company determined the fair value of these stock options before and after the amendment using the Black-Scholes Option Pricing model. The incremental difference of the fair value before and after the amendment amounted to \$32,000, of which, \$12,000 was recorded as part of stock based compensation expenses and the remaining \$20,000 will be recognized as part of operating expense through July 2023 based upon its vesting.

During the year ended December 31, 2019, the Company granted stock options to employees and consultants to purchase a total 2,531,971 shares of Common Stock for services rendered. The options have an average exercise price of \$2.07 per share, expire between one and five years, vest starting from grant date through four years. The total fair value of these options at grant date was approximately \$4,564,000 using the Black-Scholes Option Pricing model. The total stock compensation expense recognized relating to the vesting of stock options for the year ended December 31, 2019 amounted to \$1,961,000.

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

	<u>Years Ended December 31,</u>	
	<u>2020</u>	<u>2019</u>
Risk-free interest rate	0.17% - 0.39%	1.51%-2.75%
Average expected term (years)	5 years	5 years
Expected volatility	255.23 - 270.57%	180%-413.83%
Expected dividend yield	-	-

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

## 15. STOCK WARRANTS

The Company has the following warrants as of December 31, 2020 and 2019 are presented below:

	<u>Warrants</u>	<u>Weighted-Average Exercise Price</u>	<u>Weighted-Average Remaining Contractual Life (Years)</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at December 31, 2018	940,415	\$ 3.60	2.32	\$ 1,806,000
Granted	10,386,181	2.97	-	-
Forfeited	(46,667)	7.29	-	-
Exercised	(348,938)	1.17	-	-
Outstanding at December 31, 2019	10,930,991	3.07	4.25	-
Granted	4,630,654	1.17	-	-
Forfeited	(244,800)	4.58	-	-
Exercised	(1,965,594)	1.10	-	-
Outstanding at December 31, 2020, all vested	13,351,251	\$ 2.48	3.38	\$ 3,022,000

At December 31, 2020 and December 31, 2019 the intrinsic value was \$3,022,000 and \$0, respectively.

The following were stock warrant transactions during the year ended December 31, 2020:

During the year ended December 31, 2020, the Company granted 416,199 warrants to a consultant as part of a private placement offering and 2,303,861 warrants to Series A stockholders (see Note 12). In addition, the Company also granted warrants to certain shareholders to purchase 1,910,594 shares of common stock as part of settlement with regards to the Company's public offering that occurred in July 2020 (see Note 12). The warrants are fully vested upon grant, have an average exercise price of \$1.17 per share, expire between 0.01 and 5 years with an estimated fair value of \$248,000 using the Black-Scholes Option pricing model. The Company accounted the estimated fair value of \$248,000 as a financing cost.

During the year ended December 31, 2020, a total of 1,965,594 warrants were exercised into 1,965,594 shares of Common Stock at a weighted average exercise price of \$1.10. The Company received cash of \$2,165,000 upon exercise of the warrants.

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The following were stock warrant transactions during the year ended December 31, 2019:

On April 9, 2019, the Company granted warrants to purchase a total of 6,869,084 shares of Common Stock as part of a public offering. The warrants are exercisable at an average price of \$3.46 per share and will expire in April 2024. See Note 12, *Common Stock*, for additional information.

On April 11, 2019, the Company granted fully vested warrants to purchase a total of 163,739 shares of Common Stock for services rendered. The warrants are exercisable at an average price of \$3.76 per share and will expire in April 2024. The total fair value of these warrants at the grant date was approximately \$439,000 using the Black-Scholes Option pricing model and was expensed upon grant.

On July 8, 2019, the Company granted fully vested warrants to purchase a total of 108,196 shares of Common Stock as partial consideration for the conversion of notes payable. The warrants are exercisable at an average price of \$3.44 per share and will expire in July 2024. The total fair value of these warrants at the grant date was approximately \$217,000 using the Black-Scholes Option pricing model and was expensed upon grant. See Note 6, *Notes Payable*, for additional information.

On August 15, 2019, the Company granted warrants to purchase a total of 3,245,162 shares of Common Stock as part of a preferred stock offering. The warrants are exercisable at a price of \$1.88 per share and will expire in August 2024. See Note 12, *Common Stock*, for additional information.

## 16. ISSUANCE OF CLASS A and B UNITS

a. Class A Units – During the year ended December 31, 2020, the Company created an separate class of equity instrument called Class A Units. Concurrently, the Company formed a wholly owned subsidiary, Verb Acquisition, and issued 100 Class A units as part of the organization of Verb Acquisition. The Class A Units have the following rights and privileges:

1. Class A units are a standalone financial instrument;
2. Priority on distributions;
3. Ability to remove the manager;
4. Drag-along rights;
5. Power to dissolve Verb Acquisition provided that a majority of the Class B Units also approve the dissolution;
6. Ability to appoint a liquidator to wind up the affairs of Verb Acquisition;
7. Entitled to distributions;
8. Approve board appointments; and
9. Approve any amendments to Verb Acquisition's operating agreement, provided that a majority of the Class B Units also approve the amendment.

b. Class B Units – During the year ended December 31, 2020, the Company created a separate class of an equity instrument called Class B Units. Concurrently, our wholly owned subsidiary, Verb Acquisition, issued 2,642,159 Class B Units as part of its acquisition of SoloFire (see Note 3). The Class B Units have the following rights and privileges:

1. Class B units are a standalone financial instrument;
2. Exchangeable for shares of the Company's Common Stock at a conversion rate of 1 to 1;
3. Power to dissolve Verb Acquisition, provided that a majority of the Class A Units also approve the dissolution;
4. Entitled to profit distributions;
5. Approve board appointments made by the Class A Units; and
6. Approve any amendments to Verb Acquisition's operating agreement, provided that a majority of the Class A Units also approve the amendment.

As the Class B Units are exchangeable for the Company's Common Stock, for valuation purposes, the Company determined to use the trading price of the Company's Common Stock at the date of the acquisition of SoloFire which amounted to \$3,065,000. Subsequent to December 31, 2020 all Class B units were exchanged into Verb Technology Common Stock.

## 17. INCOME TAXES

Significant components of the Company's deferred tax assets and liabilities are as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Net operating loss carry-forwards	\$ 13,350,000	\$ 7,591,000
Share based compensation	(457,000)	(635,000)
Non-cash interest and financing expenses	(177,000)	(472,000)
Other temporary differences	(569,000)	(63,000)
Less: Valuation allowance	(12,147,000)	(6,421,000)
Deferred tax assets, net	<u>\$ -</u>	<u>\$ -</u>

The items accounting for the difference between income taxes computed at the federal statutory rate and the provision for income taxes were as follows:

	<u>December 31, 2020</u>	<u>December 31, 2019</u>
Statutory federal income tax rate	(21.0)%	(21.0)%
State taxes, net of federal benefit	(6.9)%	(6.9)%
Non-deductible items	(1.0)%	(1.0)%
Change in valuation allowance	28.9%	28.9%
	<u>0.0%</u>	<u>0.0%</u>

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ASC 740 requires that the tax benefit of net operating losses carry forwards be recorded as an asset to the extent that management assesses that realization is "more likely than not." Realization of the future tax benefits is dependent on the Company's ability to generate sufficient taxable income within the carry forward period. Because of the Company's recent history of operating losses, management believes that recognition of the deferred tax assets arising from the above-mentioned future tax benefits is currently not likely to be realized and, accordingly, has provided a 100% valuation allowance against the asset amounts.

Any uncertain tax positions would be related to tax years that remain open and subject to examination by the relevant tax authorities. The Company has no liabilities related to uncertain tax positions or unrecognized benefits as of the year end December 31, 2020 or 2019. The Company has not accrued for interest or penalties associated with unrecognized tax liabilities.

On December 22, 2017, the Tax Cuts and Jobs Act (the "TCJ Act") was enacted into law. The TCJ Act provides for significant changes to the U.S. Internal Revenue Code of 1986, as amended (the "Code"), that impact corporate taxation requirements, such as the reduction of the federal tax rate for corporations from 35% to 21% and changes or limitations to certain tax deductions.

The Company is currently assessing the extensive changes under the TCJ Act and its overall impact on the Company; however, based on its preliminary assessment of the reduction in the federal corporate tax rate from 35% to 21% to become effective on January 1, 2018, the Company currently expects that its effective tax rate for 2018 will be between 20% and 23%. Such estimated range is based on management's current assumptions with respect to, among other things, the Company's earnings, state income tax levels and tax deductions. The Company's actual effective tax rate in 2019 may differ from management's estimate.

As of December 31, 2020, the Company had federal and state net operating loss carry forwards of approximately \$28.7 million, which may be available to offset future taxable income for tax purposes. These net operating losses carry forwards begin to expire in 2034. This carry forward may be limited upon the ownership change under IRC Section 382. IRS Section 382 places limitations (the "Section 382 Limitation") on the amount of taxable income which can be offset by net operating loss carry forwards after a change in control (generally greater than 50% change in ownership) of a loss corporation. Generally, after a change in control, a loss corporation cannot deduct operating loss carry forwards in excess of the Section 382 Limitation. Due to these "change in ownership" provisions, utilization of the net operating loss may be subject to an annual limitation regarding their utilization against taxable income in future periods. The Company has not concluded its analysis of Section 382 through December 31, 2020 but believes the provisions will not limit the availability of losses to offset future income.

The Company is subject to income taxes in the U.S. federal jurisdiction and the state of Nevada. The tax regulations within each jurisdiction are subject to interpretation of related tax laws and regulations and require significant judgment to apply. As of December 31, 2020, tax years 2015 through 2018 remain open for IRS audit. The Company has received no notice of audit from the IRS for any of the open tax years.

## 18. ACCRUED OFFICERS' SALARY

Accrued officers' salary consists of unpaid salaries for the Company's Chief Executive Officer and Chief Financial Officer, who are also the owner of approximately 8.3% of the Company's outstanding shares of Common Stock.

As of December 31, 2020, and 2019, accrued officers' salary amounted to \$822,000 and \$207,000, respectively.

## 19. COMMITMENTS AND CONTINGENCIES

### *Employment Agreements*

On December 20, 2019, we entered into an Executive Employment Agreement with Mr. Cutaia (the "Employment Agreement"), which terminates and replaces his original employment agreement dated November 1, 2014, as subsequently amended by an amendment dated October 30, 2019. The Employment Agreement sets forth the terms and conditions of Mr. Cutaia's employment. The Employment Agreement is for a four-year term, and can be extended for additional one-year periods. In addition to certain payments due to Mr. Cutaia upon termination of employment, the Employment Agreement contains customary non-competition, non-solicitation, and confidentiality provisions. Mr. Cutaia is entitled to an annual base salary of \$430,000, which shall not be subject to reduction during the initial term, but will be subject to annual reviews and increases, if and as approved in the sole discretion of our Board, after it has received and reviewed advice from the Compensation Committee (who may or may not utilize the services of its outside compensation consultants, as it shall determine under the circumstances). In addition, Mr. Cutaia is eligible to receive performance-based cash and/or stock bonuses upon attainment of performance targets established by our Board in its sole discretion, after it has received and reviewed advice from the Compensation Committee (who may or may not utilize the services of its outside compensation consultants, as it shall determine under the circumstances). The Company shall make annual equity grants to Mr. Cutaia as determined by our Board in its sole discretion, after it has received and reviewed advice from the Compensation Committee (who may or may not utilize the services of its outside compensation consultants, as it shall determine under the circumstances). Finally, Mr. Cutaia is eligible for certain other benefits, such as health, vision, and dental insurance, life insurance, and 401(k) matching.

The Employment Agreement provides that Mr. Cutaia is entitled to the following severance package in the event he is “terminated without cause,” “terminated for good reason,” or “terminated upon permanent disability”: (i) monthly payments of \$35,833 or such sum equal to his monthly base compensation at the time of the termination, whichever is higher, for a period of 36 months from the date of such termination and (ii) reimbursement for COBRA health insurance costs for 18 months from the date of such termination and, thereafter, reimbursement for health insurance costs for Mr. Cutaia and his family during the immediately subsequent 18-month period. In addition, all of Mr. Cutaia’s then-unvested RSAs or other awards will immediately vest, without restriction, and any unearned and unpaid bonus compensation, expense reimbursement, and all accrued vacation, personal, and sick days, and related items shall be deemed earned, vested, and paid immediately. For purposes of the Employment Agreement, “terminated without cause” means if Mr. Cutaia were to be terminated for any reason other than a discharge for cause or due to Mr. Cutaia’s death or permanent disability. For purposes of the Employment Agreement, “terminated for good reason” means the voluntary termination of the Employment Agreement by Mr. Cutaia if any of the following were to occur without his prior written consent, which consent cannot be unreasonably withheld considering our then-current financial condition, and, in each case, which continues uncured for 30 days following receipt by us of Mr. Cutaia’s written notice: (i) there is a material reduction by us in (A) Mr. Cutaia’s annual base salary then in effect or (B) the annual target bonus, as set forth in the Employment Agreement, or the maximum additional amount up to which Mr. Cutaia is eligible pursuant to the Employment Agreement; (ii) we reduce Mr. Cutaia’s job title and position such that Mr. Cutaia (A) is no longer our Chief Executive Officer; (B) is no longer our Chairman of the Board; or (C) is involuntarily removed from our Board; or (iii) Mr. Cutaia is required to relocate to an office location outside of Orange County, California, or outside of a 30-mile radius of Newport Beach, California. For purposes of the Employment Agreement, “terminated upon permanent disability” means if Mr. Cutaia were to be terminated because he is then unable to perform his duties due to a physical or mental condition for (i) a period of 120 consecutive days or (ii) an aggregate of 180 days in any 12-month period.

On July 29, 2020, the Compensation Committee approved a 3% salary increase for Mr. Cutaia resulting in an annual salary of \$490,000.

### Litigation

#### a. EMA Financial, LLC

On April 24, 2018, EMA Financial, LLC, or EMA, commenced an action against the Company, styled as EMA Financial, LLC, a New York limited liability company, Plaintiff, against nFUSZ, Inc., Defendant, United States District Court, Southern District of New York, case number 1:18-cv-03634-NRB. The complaint set forth four causes of action and sought money damages, injunctive relief, liquidated damages, and declaratory relief related to the Company’s refusal to agree to EMA’s interpretation of a cashless exercise provision in a common stock warrant it granted to EMA in December 2017. The Company interposed several counterclaims, including a claim for reformation of the underlying agreements to reflect the Company’s interpretation of the cashless exercise provision. Both parties moved for summary judgment. On March 16, 2020, the United States District Court entered a decision agreeing with the Company’s position, denying EMA’s motion for declaratory judgment on its interpretation of the cashless exercise formula, and stating, *inter alia*, that “the Agreements read in their entirety reveal that nFUSZ, Inc.’s position regarding the proper cashless exercise formula is the only sensible one and that the cashless exercise formula must be enforced accordingly.” On December 22, 2020, the court entered a Memorandum and Order partly granting, and partly denying, EMA’s motion for summary judgment on damages, awarding damages only in respect to the value of the warrant shares EMA would have received if it had used the proper formula in its March 2018 warrant exercise notice, plus certain prejudgment interest and per diem interest. On January 21, 2021, the court entered a final judgment in favor of EMA, in the amount of \$463,571.98. The court did not award EMA any attorneys’ fees or expenses. While the court ruled in the Company’s favor by dismissing the majority of EMA’s suit, the Company does not agree with the court’s finding that EMA’s March 28, 2018 notice of exercise was not defective. On February 17, 2021, the Company’s counsel filed a notice of appeal to appeal the court’s judgment to the United States District Court for the Second Circuit. EMA filed a notice of cross-appeal and a hearing or briefing for this case is scheduled in June 2021. The Company has established an appropriate reserve to pay for the approximately \$464,000 judgment entered against it in this litigation.

#### b. Former Employee

The Company is currently in a dispute with a former employee of its predecessor bBooth, Inc. who has interposed a breach of contract claim in which he alleges that he is entitled to approximately \$300,000 in unpaid bonus compensation from 2015. The Company does not believe his claims have any merit as they are contradicted by documentary evidence, and barred by the applicable statute of limitations, and barred by a release executed by the former employee when the Company purchased all of his shares of stock more than 4 years ago in January 2016. On February 9, 2021, the former employee’s counsel filed a motion for summary judgment, or in the alternative, summary adjudication against the Company. The Company does not believe the court will grant this motion and it has instructed its counsel to continue its efforts in seeking a dismissal of the former employee’s claims.

#### c. Class Action

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

On May 15, 2020, we executed a binding Memorandum of Understanding with the lead plaintiff in the class action lawsuit to settle that action and release the claims asserted therein, the terms of which were confidential and subject to several contingencies, including, without limitation, court approval. On October 27, 2020, the court granted preliminary approval of the class action settlement. On February 18, 2021, the court entered a final order and judgment approving the class action settlement and dismissed the Hartmann Class Action with prejudice. The stipulation of settlement approved (the “Stipulation of Settlement”) by the court on February 18, 2021 provided for, amongst other things, a full and final release, settlement, and discharge of all claims arising from the Hartmann Class Action in consideration of the Company’s payment of a \$640,000 settlement amount, which is payable over 12 months. Furthermore, amongst other things, the Stipulation of Settlement provided that (1) the Company denied each and all of the claims alleged by plaintiffs, (2) the Company denied any allegation of wrongdoing, fault, liability, violation of the law, or damage whatsoever arising out of its conduct, (3) the Company denied that it or any of its officers, directors, or employees made any material misstatements or omissions, (4) the Company maintained that it had a meritorious defense to all claims alleged in the Hartmann Class Action, and (5) the Company agreed that the basis of us entering into the Stipulation of Settlement was to avoid the uncertainties, burden, and expense of further litigation and to put the claims arising from the Hartmann Class Action to rest, finally and forever. The Company believes that the settlement of the Hartmann Class Action approved by the court is favorable to the Company and ultimately benefits its shareholders.

The Company has established an appropriate reserve to account for the \$75,000 settlement of the Hartmann Class Action.

#### d. Derivative Action

On September 27, 2019, a derivative action was filed in the United States District Court, Central District of California, styled *Richard Moore, Individually and on Behalf of All Others Similarly Situated, Plaintiff, v. Verb Technology Company, Inc., and Rory J. Cutaia, James P. Geiskopf, and Jeff Clayborne, Defendants, Case Number 2:19-CV-08393-AB-SS* (the “Moore Derivative Action”). The Moore Derivative Action also arises out of the January 3, 2018, announcement by the Company of its agreement with Oracle America, Inc. The Moore Derivative Action alleges claims for breach of fiduciary duty, unjust enrichment, and waste of corporate assets due to the costs associated



with the defense of the above referenced class action complaint. The derivative complaint seeks a declaration that the individual defendants have breached their duties, unspecified damages, and certain purportedly remedial measures. The Company contends that the class action is without merit and as such, this derivative action, upon which it relies, is likewise without merit.

On November 5, 2020, the Company executed a binding settlement term sheet with the lead plaintiff in the derivative action to settle that action and release all claims asserted therein, the terms of which were confidential and subject to several contingencies, including, without limitation, court approval. On March 1, 2021, the court preliminarily approved the settlement of the Moore Derivative Action. The stipulation and agreement of settlement preliminarily approved (the "Stipulation and Agreement of Settlement") by the court on March 1, 2021 provided for, amongst others things, a full and final release, settlement, and discharge of all claims arising from the Moore Derivative Action in consideration of the Company's agreement to institute certain changes and/or modifications to its corporate governance and business ethics practices and plaintiff's counsel receiving its attorneys' fees and expenses, which amounted to \$75,000. Furthermore, amongst other things, the Stipulation and Agreement of Settlement preliminarily approved by the court provided that (1) the Company denied each and every claim alleged by plaintiff, and (2) the Company denied any allegation of wrongdoing, fault, and liability, (3) the Company denied committing any violation of the law or breach of fiduciary duty, and (4) the Company concluded that it is desirable that the Moore Derivative Action be settled on the terms and subject to the conditions of the Stipulation and Settlement Agreement to avoid the ongoing cost and distraction of litigation. The Company believes that the settlement of the Moore Derivative Action preliminarily approved by the court is favorable to the Company and ultimately benefits its shareholders. The court intends to set a hearing for the final approval of the settlement of the Moore Derivative Action approximately 60 days after March 1, 2021.

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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 \$450,000 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 and paid in 2020 totaled \$426,000. As of December 31, 2020, total board fees to be recognized in 2021 amounted to \$450,000 and will be recognized once the service has been rendered.

## **20. SUBSEQUENT EVENTS**

#### ***Issuances of Common Stock***

Subsequent to December 31, 2020 the Company completed a registered direct offering with institutional investors for the purchase and sale of 9,375,000 shares of common stock at a purchase price of \$1.60 per share. Net proceeds were approximately \$14,000,000.

Subsequent to December 31, 2020, the Company issued 935,994 shares of Common Stock to vendors for services rendered with a fair value of \$1,638,000. These shares of Common Stock were valued based on the market value of the Company's stock price at the issuance date or the date the Company entered into the agreement related to the issuance.

Subsequent to December 31, 2020, the Company issued 272,728 shares of Common Stock upon conversion of 300 Series A Preferred shares.

Subsequent to December 31, 2020, the Company issued 247,703 shares of Common Stock to an employee associated with the vesting of a Restricted Stock Unit.

Subsequent to December 31, 2020, 4,641 shares granted to employees that vested were returned to the Company in exchange for the Company paying the corresponding income and payroll taxes of these employees amounting \$8,200. Pursuant to current accounting guidelines, the Company accounted the return of the 4,641 shares and the payment of \$8,200 for income and payroll taxes paid on behalf the employees as a reduction in additional paid in capital.

#### ***Exchange of Verb Acquisition Class B Shares***

Subsequent to December 31, 2020, 2,642,159 of Verb Acquisition Class B Shares were exchanged for 2,642,159 shares of common stock. After the exchange there are no Verb Acquisition Class B Shares outstanding.

#### ***Exercise of Warrants***

Subsequent to December 31, 2020, a total of 1,067,578 warrants were exercised into 855,148 shares of Common Stock at a weighted average exercise price of \$1.10. The Company received cash of \$1,103,000 upon exercise of the warrants.

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#### ***Exercise of Options***

Subsequent to December 31, 2020, a total of 332,730 options were exercised into 332,730 shares of Common Stock at a weighted average exercise price of \$1.13. The Company received cash of \$377,000 upon exercise of the options.

#### ***Issuance of Restricted Stock Units***

Subsequent to December 31, 2020, the Company granted an additional 813,265 shares of its restricted stock to employees and members of Board of Directors. The Restricted Stock Units vest in various dates, starting on January 4, 2021 up to January 4, 2024. These Restricted Stock Units were valued based on market value of the Company's stock price at the respective date of grant and had aggregate fair value of \$1,374,000, which is being amortized as stock compensation expense over its vesting term.

#### ***Issuances of Warrants***

Subsequent to December 31, 2020, the Company issued warrants to purchase 138,889 shares of Common Stock to an officer for extending a note payable until February 8, 2023. The warrants have an exercise price of \$2.61, expire in three years, and vested on grant date. The total fair value of these options at the grant date was \$361,000 using the Black-Scholes option pricing model.

### Issuances of Stock Options

Subsequent to December 31, 2020, the Company granted stock options to employees and consultants to purchase a total of 659,000 stock options for services to be rendered. The options have an average exercise price of \$1.68 per share, expire in five years, and vest between one and four years from grant date. The total fair value of these options at the grant date was \$1,101,000 using the Black-Scholes option pricing model.

### Advance on Future Receipts

Subsequent to December 31, 2020, the Company received advances from unaffiliated third parties totaling \$4,387,000 for the purchase of future receipts/revenues of \$5,423,000. Pursuant to the terms of the agreement the unaffiliated third-parties will auto withdraw an aggregate of \$24,000 from the Company's operating account each banking day plus an average monthly payment of \$283,000 over the next six months. The term of the agreement extends until the advances are paid in full. The Company may pay off the advances for \$4,908,000 if paid within 30 days of funding; for \$5,106,000 if paid between 31 and 60 days of funding; or for \$5,228,000 if paid within 61 to 90 days of funding.

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### INDEX TO EXHIBITS

Exhibit Number	Description*	Where Located				
		Form	File Number	Exhibit Number	Filing Date	Filed Herewith
3.1	<a href="#">Articles of Incorporation as filed with the Secretary of State of the State of Nevada on November 27, 2012</a>	S-1	333-187782	3.1	04/08/2013	
3.2	<a href="#">Amended and Restated Bylaws of Verb Technology Company, Inc.</a>	8-K	001-38834	3.12	11/01/2019	
3.3	<a href="#">Certificate of Change as filed with the Secretary of State of the State of Nevada on October 6, 2014</a>	8-K	001-38834	3.3	10/22/2014	
3.4	<a href="#">Articles of Merger as filed with the Secretary of State of the State of Nevada on October 6, 2014</a>	8-K	001-38834	3.4	10/22/2014	
3.5	<a href="#">Articles of Merger as filed with the Secretary of State of the State of Nevada on April 4, 2017</a>	8-K	001-38834	3.5	04/24/2017	
3.6	<a href="#">Certificate of Correction as filed with the Secretary of State of the State of Nevada on April 17, 2017</a>	8-K	001-38834	3.6	04/24/2017	
3.7	<a href="#">Certificate of Change as filed with the Secretary of State of the State of Nevada on February 1, 2019</a>	10-K	001-38834	3.7	02/07/2019	
3.8	<a href="#">Articles of Merger as filed with the Secretary of State of the State of Nevada on January 31, 2019</a>	10-K	001-38834	3.8	02/07/2019	
3.9	<a href="#">Certificate of Correction as filed with the Secretary of State of the State of Nevada on February 22, 2019</a>	S-1/A	333-226840	3.9	03/14/2019	
3.10	<a href="#">Articles of Merger of Sound Concepts, Inc. with and into NF Merger Sub, Inc. as filed with the Utah Division of Corporations and Commercial Code on April 12, 2019</a>	10-Q	001-38834	3.10	05/15/2019	
3.11	<a href="#">Statement of Merger of Verb Direct, Inc. with and into NF Acquisition Company, LLC as filed with the Utah Division of Corporations and Commercial Code on April 12, 2019</a>	10-Q	001-38834	3.11	05/15/2019	
3.12	<a href="#">Certificate of Withdrawal of Certificate of Designation of Series A Convertible Preferred Stock as filed with the Secretary of State of the State of Nevada on August 10, 2018</a>	S-1	333-226840	4.28	08/14/2018	

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Exhibit Number	Description*	Where Located				
		Form	File Number	Exhibit Number	Filing Date	Filed Herewith
3.13	<a href="#">Certificate of Designation of Rights, Preferences, and Restrictions of Series A Convertible Preferred Stock as filed with the Secretary of State of the State of Nevada on August 12, 2019</a>	10-Q	001-38334	3.12	08/14/2019	
4.1	<a href="#">Common Stock Purchase Warrant (First Warrant) dated September 15, 2017, issued to Kodiak Capital Group, LLC</a>	8-K	001-38834	4.1	10/02/2017	
4.2	<a href="#">Common Stock Purchase Warrant (Second Warrant) dated September 15, 2017, issued to Kodiak Capital Group, LLC</a>	8-K	001-38834	4.2	10/02/2017	

4.3	<a href="#">Common Stock Purchase Warrant (Third Warrant) dated September 15, 2017, issued to Kodiak Capital Group, LLC</a>	8-K	001-38834	4.3	10/02/2017
4.4	<a href="#">Common Stock Purchase Warrant dated December 5, 2017 issued to EMA Financial, LLC</a>	8-K	001-38834	10.3	12/14/2017
4.5	<a href="#">Common Stock Purchase Warrant dated December 5, 2017 issued to Auctus Fund, LLC</a>	8-K	001-38834	10.6	12/14/2017
4.6	<a href="#">Common Stock Purchase Warrant dated January 11, 2018 issued to EMA Financial, LLC</a>	8-K	001-38834	10.3	01/26/2018
4.7	<a href="#">Common Stock Purchase Warrant dated January 10, 2018 issued to Auctus Fund, LLC</a>	8-K	001-38834	10.6	01/26/2018
4.8	<a href="#">Convertible Promissory Note dated October 30, 2018 in favor of Ira Gains.</a>	10-K	001-38834	4.31	02/07/2019
4.9	<a href="#">Convertible Promissory Note dated October 30, 2018 in favor of Gina Trippiedi</a>	10-K	001-38834	4.32	02/07/2019
4.10	<a href="#">5% Original Issue Discount Promissory Note due August 1, 2019 issued in favor of Bellridge Capital, LP</a>	10-K	001-38834	4.33	02/07/2019
4.11	<a href="#">Form of Investor Common Stock Purchase Warrant</a>	S-1/A	333-226840	4.34	04/02/2019
4.12	<a href="#">Form of Underwriter's Common Stock Purchase Warrant</a>	S-1/A	333-226840	4.35	04/02/2019
4.13	<a href="#">Form of Common Stock Purchase Warrant in favor of A.G.P./Alliance Global Partners</a>	S-1/A	333-226840	4.36	04/02/2019
4.14	<a href="#">Form of Common Stock Purchase Warrant</a>	10-Q	001-38834	4.37	08/14/2019

Exhibit Number	Description*	Where Located				
		Form	File Number	Exhibit Number	Filing Date	Filed Herewith
4.15	<a href="#">Verb Technology Company, Inc. 2019 Omnibus Incentive Plan#</a>	S-8	333-235684	4.13	12/23/2019	
4.16	<a href="#">Form of Common Stock Purchase Warrant (granted by the Company in February 2020 and March 2020)</a>	8-K	001-38834	4.38	02/25/2020	
4.17	<a href="#">Common Stock Purchase Warrant dated August 5, 2020 in favor of Iroquois Capital Investment Group LLC</a>	S-3	333-243438	4.18	08/10/2020	
4.18	<a href="#">Common Stock Purchase Warrant dated August 5, 2020 in favor of Iroquois Master Fund Ltd.</a>	S-3	333-243438	4.19	08/10/2020	
4.19	<a href="#">Common Stock Purchase Warrant dated August 6, 2020 in favor of Kingsbrook Opportunities Master Fund LP</a>	S-3	333-243438	4.20	08/10/2020	
4.20	<a href="#">Common Stock Purchase Warrant dated July 10, 2019 in favor of Meridian Newcastle Group, Inc.</a>	S-3	333-243438	4.21	08/10/2020	
4.21	<a href="#">Common Stock Purchase Warrant dated July 10, 2019 in favor of Meridian Newcastle Group, Inc.</a>	S-3	333-243438	4.22	08/10/2020	
4.22	<a href="#">Description of Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934</a>	10-K/A	001-38834	4.17	06/04/2020	
10.1	<a href="#">2014 Stock Option Plan#</a>	8-K	001-38834	10.1	10/22/2014	
10.2#	<a href="#">Executive Employment Agreement dated December 20, 2019 by and between the Company and Rory J. Cutaia</a>	10-K	001-38834	10.2	05/14/2020	
10.3#	<a href="#">Settlement and Release Agreement dated February 6, 2015, by and among Songstagram, Inc., Jeff Franklin, and the Company</a>	8-K	001-38834	10.1	03/09/2015	
10.4#	<a href="#">Form of Option Agreement for Messrs. Geiskopf and Cutaia</a>	8-K	001-38834	10.2	05/19/2016	
10.5#	<a href="#">Form of Stock Option Agreement between Jeffrey R. Clayborne and the Company</a>	8-K	001-38834	10.2	05/19/2016	

10.6	<a href="#">Securities Purchase Agreement dated February 13, 2017, by and between the Company and certain purchasers named therein</a>	8-K	001-38834	10.1	02/21/2017
10.7	<a href="#">Equity Purchase Agreement, as corrected, dated September 15, 2017, by and between the Company and Kodiak Capital Group, LLC</a>	8-K/A	001-38834	10.1	10/27/2017
10.8	<a href="#">Registration Rights Agreement dated September 15, 2017, by and between the Company and Kodiak Capital Group, LLC</a>	8-K	001-38834	10.2	10/02/2017
10.9	<a href="#">Securities Purchase Agreement dated December 5, 2017, by and between the Company and EMA Financial, LLC</a>	8-K	001-38834	10.1	12/14/2017
10.10	<a href="#">Securities Purchase Agreement, dated December 5, 2017, by and between the Company and Auctus Fund, LLC</a>	8-K	001-38834	10.4	12/14/2017
10.11	<a href="#">Securities Purchase Agreement dated December 13, 2017, by and between the Company and PowerUp Lending Group, LTD</a>	8-K	001-38834	10.7	12/14/2017
10.12	<a href="#">Securities Purchase Agreement dated January 11, 2018, by and between the Company and EMA Financial, LLC</a>	8-K	001-38834	10.1	01/26/2018

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Exhibit Number	Description*	Where Located				
		Form	File Number	Exhibit Number	Filing Date	Filed Herewith
10.13	<a href="#">Securities Purchase Agreement, dated January 10, 2018, by and between the Company and Auctus Fund, LLC</a>	8-K	001-38834	10.4	01/26/2018	
10.14	<a href="#">SuiteCloud Developer Network Agreement, dated January 2, 2018, by and between the Company and Oracle</a>	8-K	001-38834	10.1	04/23/2018	
10.15	<a href="#">Lease Agreement, dated June 22, 2017, by and between La Park La Brea B LLC and the Company</a>	S-1	333-226840	10.33	08/14/2018	
10.16	<a href="#">Renewal Amendment of Lease Agreement, dated May 1, 2018, by and between La Park La Brea B LLC and the Company</a>	S-1	333-226840	10.34	08/14/2018	
10.17	<a href="#">Adobe Marketo LaunchPoint Accelerate Program Agreement, dated April 1, 2018, by and between the Company and Adobe Marketo</a>	S-1	333-226840	10.35	08/14/2018	
10.18	<a href="#">Securities Purchase Agreement dated October 19, 2018</a>	8-K	001-38834	10.36	10/25/2018	
10.19	<a href="#">Agreement and Plan of Merger, dated November 8, 2018, by and among the Company, Sound Concepts, Inc., NF Merger Sub, Inc., NF Acquisition Company, LLC, the shareholders of Sound Concepts, Inc., and the shareholders' representative</a>	8-K	001-38834	10.1	11/14/2018	
10.20	<a href="#">Letter Agreement dated November 8, 2018, by and among the Company, Sound Concepts, Inc., NF Merger Sub, Inc., NF Acquisition Company, LLC, the shareholders of Sound Concepts, Inc., and the shareholders' representative</a>	8-K	001-38834	10.2	11/14/2018	
10.21	<a href="#">Letter Agreement dated November 12, 2018, by and among the Company, Sound Concepts, Inc., NF Merger Sub, Inc., NF Acquisition Company, LLC, the shareholders of Sound Concepts, Inc., and the shareholders' representative</a>	8-K	001-38834	10.3	11/14/2018	
10.22	<a href="#">Securities Purchase Agreement dated February 1, 2019 by and between the Company and Bellridge</a>	10-K	001-38834	10.40	02/07/2019	
10.23	<a href="#">Lock-Up Agreement dated October 30, 2018, by and between the Company and Ira Gaines.</a>	10-K	001-38834	10.41	02/07/2019	

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Exhibit Number	Description*	Where Located			
		Form	File Number	Exhibit Number	Filing Date

10.24	<a href="#">Lock-Up Agreement dated October 30, 2018, by and between the Company and Gina Trippedi</a>	10-K	001-38834	10.42	02/07/2019
10.25	<a href="#">Partner Application Distribution Agreement dated February 4, 2019, by and between the Company and Salesforce.com, Inc.</a>	10-K	001-38834	10.43	02/07/2019
10.26	<a href="#">Service Agreement dated December 21, 2018, by and between the Company and Major Tom Agency Inc.</a>	10-K	001-38834	10.44	02/07/2019
10.27	<a href="#">Lease Agreement dated February 5, 2019 by and between the Company and NPBeach Marina LLC</a>	S-1/A	333-226840	10.45	02/19/2019
10.28	<a href="#">Warrant Agent Agreement dated April 4, 2019 by and between the Company and VStock Transfer, LLC</a>	8-K	001-38834	10.1	04/05/2019
10.29	<a href="#">Short-Term Demand Promissory Note of the Company in favor of David Martin dated March 22, 2019</a>	S-1/A	333-226840	10.47	04/02/2019
10.30	<a href="#">Short-Term Demand Promissory Note of the Company in favor of Amin Somani dated April 2, 2019</a>	10-Q	001-38834	10.48	05/15/2019
10.31	<a href="#">Demand Promissory Note of the Company in favor of Adam Wolfson dated April 30, 2019</a>	10-Q	001-38834	10.49	05/15/2019
10.32	<a href="#">Short-Term Demand Promissory Note of the company in favor of Amin Somani dated March 29, 2019</a>	10-Q	001-38834	10.50	08/14/2019
10.33	<a href="#">Amendment to Short-Term Promissory Note of the Company in favor of Amin Somani dated July 10, 2019</a>	10-Q	001-38834	10.51	08/14/2019
10.34	<a href="#">Amendment to Short-Term Demand Promissory Note of the Company in favor of Amin Somani dated July 10, 2019</a>	10-Q	001-38834	10.52	08/14/2019
10.35	<a href="#">Amendment to Short-Term Demand Promissory Note of the Company in favor of Adam Wolfson dated July 29, 2019</a>	10-Q	001-38834	10.53	08/14/2019
10.36	<a href="#">First Amendment to Lease dated June 2, 2019 by and between the Company and NPBeach Marina LLC</a>	10-Q	001-38834	10.54	08/14/2019
10.37	<a href="#">Extension Letter from the Company to NPBeach Marina LLC dated March 26, 2019</a>	10-Q	001-38834	10.55	08/14/2019
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Exhibit Number	Description*	Where Located				
		Form	File Number	Exhibit Number	Filing Date	Filed Herewith
10.38	<a href="#">Securities Purchase Agreement dated August 14, 2019 between the Company and certain purchasers identified therein</a>	10-Q	001-38834	10.56	08/14/2019	
10.39	<a href="#">Form of Omnibus Waiver and Acknowledgment Agreement, entered into as of February 7, 2020, by and between the Company and certain purchasers of the Company's Series A convertible Preferred Stock and grantees of the Company's common stock purchase warrants in August 2019</a>	8-K	001-38834	10.58	02/25/2020	
10.40	<a href="#">Form of alternative Omnibus Waiver And Acknowledgement Agreement, entered into as of February 7, 2020, by and between the Company and certain purchasers of the Company's Series A convertible Preferred Stock and grantees of the Company's common stock purchase warrants in August 2019</a>	8-K	001-38834	10.58a	02/25/2020	
10.41	<a href="#">Form of Subscription Agreement (February and March 2020) entered into by the Private Placement investors and the Company</a>	8-K	001-38834	10.59	02/25/2020	
10.42	<a href="#">Promissory Note by Verb Technology Company, Inc. in favor of Zions Bancorporation, N.A. dated April 17, 2020</a>	8-K	001-38834	10.1	05/14/2020	
10.43#	<a href="#">Form of Indemnity Agreement between the Company and each of its Executive Officers and Directors</a>	10-K/A	001-38834	10.43	06/04/2020	
10.44	<a href="#">Securities Purchase Agreement, dated March 11, 2021</a>	8-K	001-38834	10.1	03/15/2021	

10.45	<a href="#">Independent Consultant Agreement dated as of August 15, 2019 by and between Verb Technology Company, Inc. and Adam Wolfson</a>	S-3	333-249564	10.53	10/20/2020	
10.46	<a href="#">Restricted Stock Award Agreement dated as of September 4, 2020 by and between Verb Technology Company, Inc. and Dustin Kenyon</a>	S-3	333-249564	10.54	10/20/2020	
10.47	<a href="#">Membership Interest Purchase Agreement, dated September 4, 2020, by and among Verb Acquisition Co., LLC, Ascend Certification, LLC, the sellers party thereto and Steve Deverall, as the seller representative</a>	8-K	001-38834	10.1	09/10/2020	
10.48	<a href="#">Promissory Note dated September 4, 2020 by Verb Acquisition Co., LLC in favor of Steve Deverall</a>	8-K	001-38834	10.1	09/10/2020	
10.49	<a href="#">Guaranty of Payment Agreement dated September 4, 2020 by Verb Technology Company, Inc. for the benefit of Steve Deverall</a>	8-K	001-38834	10.1	09/10/2020	
10.50	<a href="#">Exchange Agreement, dated September 4, 2020, by and among Verb Acquisition Co., LLC, Verb Technology Company, Inc. and the holders of Class B Units party thereto</a>	8-K	001-38834	10.1	09/10/2020	
10.51	<a href="#">Form of Contribution and Exchange Agreement, dated September 4, 2020, by and between Verb Acquisition Co., LLC and the investors party thereto</a>	8-K	001-38834	10.1	09/10/2020	
10.52	<a href="#">Amended and Restated Operating Agreement of Verb Acquisition Co., LLC, dated September 4, 2020, by and among Verb Acquisition Co., LLC and the members party thereto</a>	8-K	001-38834	10.1	09/10/2020	
10.53	<a href="#">Settlement and Release Agreement dated as of August 5, 2020 by and among the Company, Iroquois Capital Investment Group LLC and Iroquois Master Fund Ltd.</a>	S-3		10.44	08/10/2020	
10.54	<a href="#">Settlement and Release Agreement dated as of August 6, 2020 by and between the Company and Kingsbrook Opportunities Master Fund LP</a>	S-3		10.45	08/10/2020	
14.1	<a href="#">Code of Ethics and Business Conduct for Directors, Senior Officers and Employees of Corporation</a>	8-K	001-38834	14.1	10/22/2014	
21.1	<a href="#">Subsidiaries of the Registrant</a>	10-K	001-38834	21.1	05/14/2020	
23.1	<a href="#">Consent of Independent Registered Public Accounting Firm</a>	10-K	001-38834	23.1	05/14/2020	
23.2	<a href="#">Consent of Independent Registered Public Accounting Firm</a>					X
31.1	<a href="#">Certification of Principal Executive Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</a>					X
31.2	<a href="#">Certification of Principal Financial Officer and Principal Accounting Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934</a>					X
32.1**	<a href="#">Certification of Principal Executive Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code</a>					
32.2**	<a href="#">Certification of Principal Financial Officer and Principal Accounting Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code</a>					
101.INS	Inline XBRL Instance Document					X

Exhibit Number	Description*	Where Located				
		Form	File Number	Exhibit Number	Filing Date	Filed Herewith
101.SCH	Inline XBRL Taxonomy Extension Schema					X
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase					X
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase					X

101.LAB	Inline XBRL Taxonomy Extension Label Linkbase	X
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase	X

(#) A contract, compensatory plan or arrangement to which a director or executive officer is a party or in which one or more directors or executive officers are eligible to participate.

(\*) Certain of the agreements filed as exhibits contain representations and warranties made by the parties thereto. The assertions embodied in such representations and warranties are not necessarily assertions of fact, but a mechanism for the parties to allocate risk. Accordingly, investors should not rely on the representations and warranties as characterizations of the actual state of facts or for any other purpose at the time they were made or otherwise.

(\*\*) The certifications attached as Exhibit 32.1 accompany this Annual 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 Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

### Verb Technology Company, Inc.

By: /s/ Rory J. Cutaia  
Rory J. Cutaia  
President, Chief Executive Officer, Secretary,  
and Director  
(Principal Executive Officer)

Date: March 31, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By: /s/ Rory J. Cutaia  
Rory J. Cutaia  
President, Chief Executive Officer, Secretary,  
and Director

Date: March 31, 2021

By: /s/ James P. Geiskopf  
James P. Geiskopf  
Director

Date: March 31, 2021

By: /s/ Jeff Clayborne  
Jeff Clayborne  
Chief Financial Officer and Treasurer

Date: March 31, 2021

By: /s/ Philip J. Bond  
Philip J. Bond  
Director

Date: March 31, 2021

By: /s/ Kenneth S. Cragun  
Kenneth S. Cragun  
Director

Date: March 31, 2021

By: /s/ Nancy Heinen  
Nancy Heinen  
Director

Date: March 31, 2021

By: /s/ Judith Hammerschmidt  
Judith Hammerschmidt  
Director

Date: March 31, 2021





**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements (No. 333-235684) on Form S-8 and (No. 333-233797), (No. 333-243438), (No. 333-249564) and (No. 333-252167) on Form S-3 of Verb Technology Company, Inc. of our report dated March 31, 2021 relating to our audit of the financial statements of Verb Technology Company, Inc., for the years ending December 31, 2020 and 2019, which appear in this Annual Report on Form 10-K of Verb Technology Company, Inc. for the year ended December 31, 2020.

*/s/ WEINBERG & COMPANY, P.A.*

WEINBERG & COMPANY, P.A.  
Los Angeles, California  
March 31, 2021

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**CERTIFICATION**  
**PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Rory J. Cutaia, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2020 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.

March 31, 2021

*/s/ Rory Cutaia*

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

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**CERTIFICATION**  
**PURSUANT TO RULE 13A-14(A) UNDER THE SECURITIES EXCHANGE ACT OF 1934**

I, Jeff Clayborne, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2020 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.

March 31, 2021

/s/ Jeff Clayborne

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

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**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 annual report on Form 10-K of Verb Technology Company, Inc. (the "Company") for the fiscal year ended December 31, 2020 (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Annual Report 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.

March 31, 2021

*/s/ Rory Cutaia*

Rory J. Cutaia

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

*The preceding certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

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

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

1. the annual report on Form 10-K of Verb Technology Company, Inc. (the "Company") for the fiscal year ended December 31, 2020 (the "Annual Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. the information contained in the Annual Report 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.

March 31, 2021

*/s/ Jeff Clayborne*

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Jeff Clayborne

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

*The preceding certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act of 1934, as amended, and shall not be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing. A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.*

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