

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2021**

OR

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

For the transition period from _____ to _____

Commission file number: 001-38834

Verb Technology Company, Inc.

(Exact name of registrant as specified in its charter)

Nevada

(State or other jurisdiction of
incorporation or organization)

90-1118043

(I.R.S. Employer
Identification No.)

782 S. Auto Mall Drive
American Fork, Utah

(Address of principal executive offices)

84003

(Zip Code)

(855) 250-2300

(Registrant's telephone number, including area code)

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

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

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

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

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

Yes No

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

Yes No

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

Large accelerated filer	[]	Accelerated filer	[]
Non-accelerated filer	[X]	Smaller reporting company	[X]
		Emerging growth company	[]

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

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

As of May 10, 2021, there were 62,767,092 shares of common stock, \$0.0001 par value per share, outstanding.

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the three months ended March 31, 2021 (this "Quarterly Report"), includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which statements are subject to considerable risks and uncertainties. These forward-looking statements are intended to qualify for the safe harbor from liability established by the Private Securities Litigation Reform Act of 1995. Forward-looking statements include all statements that are not statements of historical facts and can be identified by words such as "anticipates," "believes," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "seeks," "should," "will," "would" or similar expressions and the negatives of those expressions. Forward-looking statements also include the assumptions underlying or relating to such statements.

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

- our incursion of significant net losses and uncertainty whether we will achieve or maintain profitable operations;
- our ability to continue as a "going concern";
- the novel coronavirus ("COVID-19") pandemic, which has had a sustained impact on our business, sales, results of operations and financial condition;
- our ability to grow and compete in the future, which is dependent upon whether capital is available to us on favorable terms;
- our ability to maintain and expand our customer base and our ability to convince our customers to increase the use of our services and/or platform;
- the competitive market in which we operate;
- our ability to increase the number of our strategic relationships or grow the revenues received from our current strategic relationships;
- our ability to develop enhancements and new features to our existing service or acceptable new services that keep pace with technological developments;
- our ability to deliver our services, as we depend on third party Internet providers; and
- our susceptibility to security breaches and other disruptions.

The foregoing list may not include all of the risk factors that impact the forward-looking statements made in this Quarterly Report. Our actual financial condition and results could differ materially from those expressed or implied by our forward-looking statements as a result of various additional factors, including those discussed in the sections entitled "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and "*Risk Factors*" in this Quarterly Report and in our Annual Report on Form 10-K for the year ended December 31, 2020 (our "Annual Report"), as well as in the other reports we file with the Securities and Exchange Commission (the "SEC"). You should read this Quarterly Report, and the other documents we file with the SEC, with the understanding that our actual future results may be materially different from the results expressed or implied by our forward-looking statements.

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

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

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

PART I — FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS (UNAUDITED)

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VERB TECHNOLOGY COMPANY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>March 31, 2021</u> <i>(unaudited)</i>	<u>December 31, 2020</u>
ASSETS		
Current assets:		
Cash	\$ 12,946,000	\$ 1,815,000
Accounts receivable, net of allowance of \$484,000 and \$361,000, respectively	1,199,000	919,000
Inventory, net of allowance of \$51,000 and \$51,000, respectively	38,000	34,000
Prepaid expenses and other current assets	1,098,000	900,000
Total current assets	15,281,000	3,668,000
Right-of-use assets	2,590,000	2,730,000
Property and equipment, net of accumulated depreciation of \$372,000 and \$339,000, respectively	813,000	862,000
Intangible assets, net of amortization of \$2,680,000 and \$2,310,000, respectively (including provisional intangible assets of \$982,000 and \$1,042,000, respectively)	4,783,000	5,153,000
Goodwill (including provisional goodwill of \$3,723,000, respectively)	20,060,000	20,060,000
Other assets	67,000	69,000
Total assets	\$ 43,594,000	\$ 32,542,000
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 5,148,000	\$ 5,097,000
Accrued officers' salary	937,000	822,000
Accrued interest (including \$100,000 and \$102,000 payable to related parties)	105,000	114,000
Advance on future receipts, net of discount of \$725,000 and \$67,000, respectively	3,170,000	110,000
Notes payable - related party	352,000	1,077,000
Deferred incentive compensation, current	664,000	521,000
Operating lease liability, current	591,000	596,000
Deferred revenue and customer deposits	298,000	272,000
Derivative liability	5,480,000	8,266,000
Total current liabilities	16,745,000	16,875,000
Long Term liabilities:		
Notes payable	240,000	1,458,000
Note payable - related party, non-current	725,000	-
Deferred incentive compensation to officers	-	521,000
Operating lease liability, non-current	2,786,000	2,943,000
Total liabilities	20,496,000	21,797,000
Commitments and contingencies		
Stockholders' equity		
Preferred stock, \$0.0001 par value, 15,000,000 shares authorized:		
Series A Convertible Preferred Stock, 6,000 shares authorized; 1,706 and 2,006 issued and outstanding as of March 31, 2021 and December 31, 2020	-	-
Class A units, 100 issued and authorized as of March 31, 2021 and December 31, 2020	-	-
Class B units, 2,642,159 shares authorized, 0 and 2,642,159 issued and outstanding as of March 31, 2021 and December 31, 2020	-	3,065,000
Common stock, \$0.0001 par value, 200,000,000 shares authorized, 62,633,282 and 47,795,009 shares issued and outstanding as of March 31, 2021 and December 31, 2020	6,000	5,000
Additional paid-in capital	112,978,000	89,216,000
Accumulated deficit	(89,886,000)	(81,541,000)
Total stockholders' equity	23,098,000	10,745,000
Total liabilities and stockholders' equity	\$ 43,594,000	\$ 32,542,000

The accompanying notes to the condensed consolidated financial statements

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenue		
SaaS recurring subscription revenue	\$ 1,461,000	\$ 1,057,000
Other Digital	340,000	400,000
Design, printing, and fulfillment	615,000	728,000
Shipping	110,000	169,000
	<u>2,526,000</u>	<u>2,354,000</u>
Cost of revenue		
Digital	540,000	230,000
Design, printing, and fulfillment	585,000	676,000
Shipping	90,000	157,000
	<u>1,215,000</u>	<u>1,063,000</u>
Gross margin	<u>1,311,000</u>	<u>1,291,000</u>
Operating expenses		
Research and development	2,884,000	1,274,000
Depreciation and amortization	414,000	363,000
General and administrative	7,343,000	3,514,000
Total operating expenses	<u>10,641,000</u>	<u>5,151,000</u>
Loss from operations	<u>(9,330,000)</u>	<u>(3,860,000)</u>
Other income (expense), net		
Other income (expense), net	54,000	(6,000)
Interest expense - amortization of debt discount	(475,000)	(137,000)
Change in fair value of derivative liability	500,000	2,092,000
Gain on extinguishment of PPP note payable	1,226,000	-
Debt extinguishment, net	(287,000)	-
Interest expense (including \$32,000 and \$35,000 to related parties)	(33,000)	(35,000)
Total other expense, net	<u>985,000</u>	<u>1,914,000</u>
Net Loss	(8,345,000)	(1,946,000)
Deemed dividend to Series A preferred shareholders	-	(3,951,000)
Net loss to common stockholders	\$ (8,345,000)	\$ (5,897,000)
Loss per share - basic and diluted	\$ (0.16)	\$ (0.23)
Weighted average number of common shares outstanding - basic and diluted	52,045,428	25,992,426

The accompanying notes to the condensed consolidated financial statements

VERB TECHNOLOGY COMPANY, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY FOR THE
THREE MONTHS ENDED MARCH 31, 2021 AND 2020
(Unaudited)

	Preferred Stock		Class A Units		Class B Units		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	
Balance at December 31, 2020	2006	\$ -	-	\$ -	2,642,159	\$ 3,065,000	47,795,009	\$ 5,000	\$ 89,216,000	\$ (81,541,000)	\$ 10,745,000
Sale of common stock from public offering	-	-	-	-	-	-	9,375,000	1,000	14,128,000	-	14,129,000
Issuance of common stock from warrant exercise	-	-	-	-	-	-	1,036,600	-	1,103,000	-	1,103,000
Issuance of common stock from option exercise	-	-	-	-	-	-	332,730	-	377,000	-	377,000
Conversion of Series A Preferred to common stock	(300)	-	-	-	-	-	272,728	-	-	-	-
Fair value of common shares issued for services	-	-	-	-	-	-	809,511	-	1,414,000	-	1,414,000
Fair value of vested restricted stock awards	-	-	-	-	-	-	247,703	-	447,000	-	447,000
Fair value of vested stock options and warrants	-	-	-	-	-	-	-	-	448,000	-	448,000
Extinguishment of derivative liability upon exercise of warrants	-	-	-	-	-	-	-	-	2,286,000	-	2,286,000
Fair value of common shares issued to settle accrued expenses	-	-	-	-	-	-	121,842	-	207,000	-	207,000
Fair value of warrants issued to officer to modify note payable	-	-	-	-	-	-	-	-	287,000	-	287,000
Conversion of Class B Units to common shares	-	-	-	-	(2,642,159)	(3,065,000)	2,642,159	-	3,065,000	-	-
Net loss	-	-	-	-	-	-	-	-	-	(8,345,000)	(8,345,000)
Balance at March 31, 2021	1,706	\$ -	-	\$ -	-	\$ -	62,633,282	\$ 6,000	\$ 112,978,000	\$ (89,886,000)	\$ 23,098,000

	Preferred Stock		Class A Units		Class B Units		Common Stock		Additional	Accumulated	Total
	Shares	Amount	Shares	Amount	Shares	Amount	Shares	Amount	Capital	Deficit	
Balance at December 31, 2019	4,396	\$ -	-	\$ -	-	\$ -	24,496,197	\$ 2,000	\$ 68,028,000	\$ (56,585,000)	\$ 11,445,000
Sale of common stock from private placement	-	-	-	-	-	-	3,392,833	1,000	3,429,000	-	3,430,000
Fair value of warrants issued to Series A Preferred stockholders	-	-	-	-	-	-	-	-	(3,951,000)	-	(3,951,000)
Conversion of Series A Preferred to common stock	(1,150)	-	-	-	-	-	741,933	-	-	-	-
Fair value of common shares issued for services	-	-	-	-	-	-	320,601	-	321,000	-	321,000
Fair value of vested restricted stock awards	-	-	-	-	-	-	11,025	-	241,000	-	241,000
Fair value of vested stock options and warrants	-	-	-	-	-	-	-	-	381,000	-	381,000
Net loss	-	-	-	-	-	-	-	-	-	(1,946,000)	(1,946,000)
Balance at March 31, 2020	3,246	\$ -	-	\$ -	-	\$ -	28,962,589	\$ 3,000	\$ 68,449,000	\$ (58,531,000)	\$ 9,921,000

The accompanying notes to the condensed consolidated financial statements

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

	For the Three Months Ended	
	March 31, 2021	March 31, 2020
Operating Activities:		
Net loss	\$ (8,345,000)	\$ (5,897,000)
Adjustments to reconcile net loss to net cash used in operating activities:		
Fair value of common shares issued for services and vested stock options	2,402,000	943,000
Gain on extinguishment of PPP note payable	(1,226,000)	-
Debt extinguishment from modification of related party note payable	287,000	-
Deemed dividend to Series A preferred stockholders	-	3,951,000
Amortization of debt discount	475,000	137,000
Change in fair value of derivative liability	(500,000)	(2,092,000)
Depreciation and amortization	414,000	363,000
Amortization of right-of-use assets	140,000	135,000
Inventory reserve	-	(2,000)
Allowance for doubtful account	124,000	50,000
Effect of changes in assets and liabilities:		
Accounts receivable	(259,000)	9,000
Inventory	(4,000)	30,000
Prepaid expenses	(281,000)	(12,000)
Other assets	-	(45,000)
Accounts payable, accrued expenses, and accrued interest	362,000	255,000
Deferred revenue and customer deposits	26,000	(44,000)
Deferred incentive compensation	(377,000)	-
Operating lease liability	(161,000)	(47,000)
Net cash provided (used) in operating activities	(6,923,000)	(2,266,000)
Investing Activities:		
Gain on disposal of fixed assets	5,000	-
Purchases of property and equipment	-	(121,000)
Net cash provided by (used in) investing activities	5,000	(121,000)
Financing Activities:		
Proceeds from sale of common stock	13,985,000	3,430,000
Advances on future receipts	4,290,000	-
Proceeds from warrant exercise	1,103,000	-
Proceeds from option exercise	377,000	-
Payment of advances of future receipts	(1,706,000)	(411,000)
Net cash provided by financing activities	18,049,000	3,019,000
Net change in cash	11,131,000	632,000
Cash - beginning of period	1,815,000	983,000
Cash - end of period	<u>\$ 12,946,000</u>	<u>\$ 1,615,000</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 34,000	\$ 10,000
Cash paid for income taxes	\$ -	\$ -
Supplemental disclosure of non-cash investing and financing activities:		

Fair value of derivative liability extinguished	\$	2,286,000	\$	-
Fair value of common share issued to settle accrued expenses	\$	207,000	\$	-
Reclassification of Class B upon conversion to common stock	\$	3,065,000	\$	-
Discount recognized from advances on future receipts	\$	1,133,000	\$	-
Fair value of derivative liability from issuance of warrants to Series A stockholders considered as a deemed dividend	\$	-	\$	3,951,000

The accompanying notes to the condensed consolidated financial statements

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VERB TECHNOLOGY COMPANY, INC.
Notes to Condensed Consolidated Financial Statements
For the three months ended March 31, 2021 and 2020
(Unaudited)

1. DESCRIPTION OF BUSINESS

Organization

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

Cutaia Media Group, LLC (“CMG”) was organized as a limited liability company under the laws of the State of Nevada on December 12, 2012. On May 19, 2014, CMG merged into bBooth, Inc. and bBooth, Inc., thereafter, changed its name to bBooth (USA), Inc., effective as of October 16, 2014. The operations of CMG and bBooth (USA), Inc., became known as, and are referred to in this Quarterly Report on Form 10-Q 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.

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).

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, verbLIVE, our Live Stream eCommerce application, and verbTEAMS, our self-onboarding video-based CRM and content management application for small business and solopreneurs, with seamless synchronization with Salesforce, that also comes bundled with verbLIVE.

Historically, we 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.

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 quarter ended March 31, 2021. 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 March 31, 2021, 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) and applicable rules and regulations of the Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2020 filed with the SEC on March 31, 2021 (the “2020 Annual Report”). The consolidated balance sheet as of December 31, 2020 included herein was derived from the audited consolidated financial statements as of that date.

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

Principles of Consolidation

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

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which contemplates the realization of assets and the settlement of liabilities and commitments in the normal course of business. As reflected in the accompanying consolidated financial statements, during the quarter ended March 31, 2021, the Company incurred a net loss of \$8,345,000 and used cash in operations of \$6,923,000. 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.

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

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reported periods. Significant estimates include assumptions made in analysis of reserves for allowance of doubtful accounts, inventory, 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.

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 three months ended March 31, 2021 and 2020 were all generated from the United States of America.

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. As of March 31, 2021, we have one vendor that accounted for 40% of our purchases individually and in aggregate. In addition, we had 2 vendors that account for 10% and 28% of accounts payable individually and 38% in aggregate as of March 31, 2021.

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Derivative Financial Instruments

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

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

Reclassifications

Certain revenue amounts in the prior period financial statements have been reclassified to conform to the current period presentation. These reclassifications consist of reclassification of digital revenue of \$400,000 between SaaS recurring subscription revenue and other digital revenue to provide additional clarity. These reclassifications had no effect to the previously reported net loss.

Contract Liabilities

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

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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 March 31, 2021, and 2020, the Company had total outstanding options of 5,799,013 and 4,417,108, respectively, and warrants of 12,422,562 and 13,651,050, respectively, and outstanding restricted stock awards of 2,751,508 and 1,475,329, respectively, which were excluded from the computation of net loss per share because they are anti-dilutive.

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 March 31, 2021 and December 31, 2020, management determined there were no indications of impairment. The Company will perform their next impairment analysis in December 2021.

Intangible Assets with Finite Useful Lives

We have certain finite lived intangible assets that were initially recorded at their fair value at the time of acquisition. These intangible assets consist of developed technology.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful life of five years.

We review all finite lived intangible assets for impairment when circumstances indicate that their carrying values may not be recoverable. If the carrying value of an asset group is not recoverable, we recognize an impairment loss for the excess carrying value over the fair value in our consolidated statements of operations. As of March 31, 2021 and December 31, 2020, there was no impairment of intangible assets. The Company will perform their next impairment analysis in December 2021.

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.

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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.

In August 2020, the FASB issued ASU No. 2020-06 ("ASU 2020-06") "Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity's Own Equity (Subtopic 815-40)." ASU 2020-06 reduces the number of accounting models for convertible debt instruments by eliminating the cash conversion and beneficial conversion models. As a result, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost as long as no other features require bifurcation and recognition as derivatives. By removing those separation models, the effective interest rate of convertible debt instruments will be closer to the coupon interest rate. Further, the diluted net income per share calculation for convertible instruments will require the Company to use the if-converted method. ASU 2020-06 will be effective January 1, 2024, for the Company and is to be adopted through a cumulative-effect adjustment to the opening balance of retained earnings. Early adoption is permitted, but no earlier than January 1, 2021, including interim periods within that year. Management is currently evaluating the effect of the adoption of ASU 2020-06 on the consolidated financial statements.

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

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3. ACQUISITIONS

a. ACQUISITION OF VERB DIRECT

On April 12, 2019, Verb completed the acquisition of Verb Direct (formerly Sound Concepts, Inc.). The acquisition was intended to augment and diversify Verb's internet and SaaS business. As a result of this acquisition, the Company recorded goodwill of \$16,337,000 and intangible assets of \$6,340,000. The goodwill recognized 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.

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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 March 31, 2021, 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:

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

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

The provisional intangible assets, which consist of developed technology of \$1,000,000 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 quarters ended March 31, 2021 and 2020, the Company recorded amortization expense of \$370,000 and \$325,000, 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:

Year ending	Amortization
2021 remaining	\$ 1,065,000
2022	1,375,000
2023	1,302,000
2024	465,000
2025 and thereafter	133,000
Total amortization	<u>\$ 4,340,000</u>

The following unaudited pro forma statement of operations present the Company's pro forma results of operations for the quarters ended March 31, 2020 to give effect to the acquisition of Ascent Certification as if it had occurred on January 1, 2020.

	Quarter Ended March 31, 2020
	(Proforma, unaudited)
SaaS recurring subscription revenue	\$ 1,312,000
Other digital revenue	400,000
Design, printing, and fulfilment	728,000
Shipping	<u>169,000</u>
Total Revenue	2,609,000
Cost of revenue	<u>1,122,000</u>
Gross margin	1,487,000
Operating expenses	5,412,000
Other income, net	<u>1,914,000</u>
Net loss	(2,011,000)
Deemed dividend to Series A preferred	(3,951,000)
Net loss to common stockholders	<u>\$ (5,962,000)</u>

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

**Verb
Acquisition
September 1,
2020 through
March 31,
2021
(unaudited)**

Revenue	\$	439,000
Cost of revenue		202,000
Operating expenses		1,295,000
Other income / (expense)		-
Net loss	\$	<u>(1,058,000)</u>

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4. PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of March 31, 2021 and December 31, 2020.

	<u>March 31,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
Computers	\$ 29,000	\$ 29,000
Furniture and fixture	75,000	75,000
Machinery and equipment	23,000	39,000
Leasehold improvement	1,058,000	1,058,000
Total property and equipment	<u>1,185,000</u>	<u>1,201,000</u>
Accumulated depreciation	<u>(372,000)</u>	<u>(339,000)</u>
Total property and equipment, net	<u>\$ 813,000</u>	<u>\$ 862,000</u>

During the period ended March 31, 2021, the Company sold certain machinery and equipment with a cost of \$16,000 and accumulated depreciation of \$11,000 for cash proceeds of \$11,000. As a result, the Company recognized a gain of \$6,000 and was reported as part of other income. Depreciation expense amounted to \$44,000 and \$35,000 for the three months ended March 31, 2021 and 2020, 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>March 31, 2021</u>	<u>Period Ended</u> <u>March 31, 2020</u>
Lease cost		
Operating lease cost (included in general and administration in the Company's statement of operations)	\$ 175,000	\$ 175,000
Other information		
Cash paid for amounts included in the measurement of lease liabilities	\$ 196,000	\$ -
Weighted average remaining lease term – operating leases (in years)	4.54	5.11
Average discount rate – operating leases	4.0%	4.0%
	<u>March 31, 2021</u>	<u>December 31, 2020</u>
Operating leases		
Right-of-use assets	<u>\$ 2,590,000</u>	<u>\$ 2,730,000</u>
Short-term operating lease liabilities	\$ 591,000	\$ 596,000
Long-term operating lease liabilities	2,786,000	2,943,000
Total operating lease liabilities	<u>\$ 3,377,000</u>	<u>\$ 3,539,000</u>
Year ending		<u>Operating Leases</u>
2021		595,000
2022		751,000
2023		773,000
2024		472,000
2025 and thereafter		1,189,000
Total lease payments		<u>3,780,000</u>
Less: Imputed interest/present value discount		<u>(403,000)</u>
Present value of lease liabilities		<u>\$ 3,377,000</u>

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6. ADVANCE OF FUTURE RECEIPTS

The Company has the following advances on future receipts as of March 31, 2021:

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at March 31, 2021	Balance at December 31, 2020
Note 1	June 30, 2020	February 25, 2021	108%	506,000	-	89,000
Note 2	June 30, 2020	February 25, 2021	108%	506,000	-	88,000
Note 3	January 13, 2021	September 10, 2021	108%	844,000	556,000	-
Note 4	January 13, 2021	September 10, 2021	108%	844,000	556,000	-
Note 5	January 22, 2021	July 1, 2021	108%	2,040,000	1,454,000	-
Note 6	February 18, 2021 – March 3, 2021	August 3, 2021 – August 15, 2021	12%	1,696,000	1,329,000	-
Total				\$ 1,012,000	3,895,000	177,000
Debt discount					(725,000)	(67,000)
Net					\$ 3,170,000	\$ 110,000

Note 1 and 2

On June 30, 2020, 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 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 average interest was imputed at a rate of 28% based on the face value of the note and the proceeds received. 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 quarter ended March 31, 2021, the Company paid the entire balance due of \$177,000 and amortized the remaining debt discount of \$67,000.

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Note 3 and 4

On January 13, 2021, the Company received two secured advances from the same unaffiliated third party (see Note 1 and 2) totaling \$1,213,000 for the purchase of future receipts/revenues of \$1,688,000. Pursuant to the terms of the agreement the unaffiliated third-party will auto withdraw an aggregate of \$11,000 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 average interest was imputed at a rate of 28% based on the face value of the note and proceeds received. The Company may pay off either note for \$744,000 if paid within 30 days of funding; for \$775,000 if paid between 31 and 60 days of funding; or for \$806,000 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 \$1,688,000 to account for the future receipts sold and a debt discount of \$475,000 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 quarter ended March 31, 2021, the Company paid \$753,000 of the balance outstanding and amortized \$148,000 of the debt discount. As of March 31, 2021 outstanding balance of the notes amounted to \$1,112,000 and the unamortized balance of the debt discount was \$327,000.

Note 5

On January 22, 2020, the Company received a secured advance from an unaffiliated third party totaling \$1,440,000 for the purchase of future receipts/revenues of \$2,040,000. Pursuant to the terms of the agreement the unaffiliated third-party will auto withdraw an aggregate of \$13,000 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 29% based on the face value of the note and the proceeds received. The Company may pay off either note for \$1,725,000 if paid within 30 days of funding; for \$1,860,000 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 \$2,040,000 to account for the future receipts sold and a debt discount of \$600,000 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 quarter ended March 31, 2021, the Company paid \$587,000 of the balance outstanding and amortized \$248,000 of the debt discount. As of March 31, 2021 outstanding balance of the notes amounted to \$1,454,000 and the unamortized balance of the debt discount was \$352,000.

Note 6

In February and March, the Company received secured advances from an unaffiliated third party totaling \$1,637,000 for the purchase of future receipts/revenues of \$1,696,000. Pursuant to the terms of the agreement the unaffiliated third-party will auto withdraw an average of \$283,000 from the Company's operating account each month. 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 3% based on the face value of the notes and the proceeds received. As a result, the Company recorded a liability of \$1,696,000 to account for the future receipts sold and a debt discount of \$59,000 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 quarter ended March 31, 2021, the Company paid \$367,000 of the balance outstanding and amortized \$12,000 of the debt discount. As of March 31, 2021 outstanding balance of the notes amounted to \$1,329,000 and the unamortized balance of the debt discount was \$46,000.

7. NOTES PAYABLE – RELATED PARTIES

The Company has the following related parties notes payable as of March 31, 2021 and December 31, 2020:

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at March 31, 2021	Balance at December 31, 2020
Note 1 (A)	December 1, 2015	February 8, 2023	12.0%	\$ 1,249,000	\$ 725,000	\$ 725,000
Note 2 (B)	December 1, 2015	April 1, 2017	12.0%	112,000	112,000	112,000
Note 3 (C)	April 4, 2016	June 4, 2021	12.0%	343,000	240,000	240,000
Total notes payable – related parties					1,077,000	1,077,000
Non-current					(725,000)	-
Current					\$ 352,000	\$ 1,077,000

(A) On December 1, 2015, the Company issued a convertible note payable to Mr. Rory J. Cutaita, the Company's majority stockholder and Chief Executive Officer, to consolidate all loans and advances made by Mr. Cutaita 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. During the year ended December 31, 2020, the Company made payments of \$100,000. On February 25, 2021 the Company extended the note to February 8, 2023 with no changes to the other terms of the note agreement. As of December 31, 2020, the outstanding balance of the note amounted to \$725,000.

In February 2021, the Mr. Cutaita and Company amended the note payable and extended the maturity date from February 8, 2021 to February 8, 2023 or an extension of two years. In exchange for the extension, the Company issued Mr. Cutaita warrants to purchase 138,889 shares of common stock with a fair value of \$287,000. The warrants are fully vested, exercisable at \$2.61 per share and will expire in three years. There were no other changes to the original terms of the note payable. In accordance with ASC 450-70, modifications or exchanges are considered extinguishments with gains or losses recognized in current earnings if the terms of the new debt and original instrument are substantially different. The instruments are considered "substantially different" when the present value of the cash flows under the terms of the new debt instrument is at least 10% different from the present value of the remaining cash flows under the terms of the original instrument. As the fair value of the warrants granted amounted to \$287,000 for which is approximately 40% of the outstanding note payable, pursuant to ASC 470, the Company accounted the modification as an extinguishment of debt which requires the measurement of the modified debt and additional consideration to be at fair value. As a result, the Company recognized a loss on debt extinguishment of \$287,000 and a corresponding credit to contributed capital.

As of March 31, 2021, the outstanding balance of the note amounted to \$725,000.

(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 March 31, 2021 and December 31, 2020, the outstanding principal balance of the note amounted to \$112,000, respectively. As of March 31, 2021, 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. Cutaita, in the amount of \$343,000, to consolidate all advances made by Mr. Cutaita 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 March 31, 2021, and December 31, 2020, the outstanding balance of the note amounted to \$240,000, respectively.

Total interest expense for notes payable to related parties was \$32,000 and \$35,000 for three months ended March 31, 2021 and 2020, respectively. The Company paid \$34,000 and \$10,000 in interest for the three months ended March 31, 2021 and 2020, respectively.

8. NOTES PAYABLE

The Company has the following notes payable as of March 31, 2021:

Note	Issuance Date	Maturity Date	Interest Rate	Balance at March 31, 2021	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	150,000
Note C	May 1, 2020	May 1, 2022	3.75%	90,000	90,000
Total notes payable				240,000	1,458,000
Non-current				(240,000)	(1,458,000)
Current				\$ -	\$ -

(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, 2021 the entire note and accrued interest, totaling \$1,226,000, was forgiven and accounted as a gain on debt extinguishment.

(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 fiscal 2020.

(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.

9. DEFERRED INCENTIVE COMPENSATION TO OFFICERS

Note	Date	Payment Date	Balance at March 31, 2021	Balance at December 31, 2020
Rory Cutaita (A)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	\$ 215,000	\$ 430,000

Rory Cutaia (B)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	161,000	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
			<u>664,000</u>	<u>1,042,000</u>
Total			664,000	1,042,000
Non-current			-	(521,000)
Current			<u>\$ 664,000</u>	<u>\$ 521,000</u>

(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.

On January 12, 2021, the Company paid \$215,000 and paid the remaining \$63,000 due subsequent to March 31, 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.

On January 12, 2021, the Company paid \$163,000 and paid the remaining \$81,000 due subsequent to March 31, 2021.

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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 (see Note 11).

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). As of December 31, 2020, 2,006 shares of Series A Preferred stock are outstanding.

During the period ended March 31, 2021, 300 shares of Preferred Stock were converted into 272,278 shares of Common Stock. As of March 31, 2021, 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. In prior year, the Company granted certain warrants that included a fundamental transaction provision that could give rise to an obligation to pay cash to the warrant holder. As a result, the fundamental transaction clause of these warrants are accounted for as a derivative liability in accordance with ASC 815 and are being re-measured every reporting period with the change in value reported in the statement of operations.

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

	March 31, 2021	Upon Extinguishment in 2021	December 31, 2020
Stock Price	\$ 1.40	\$ 2.45	\$ 1.65
Exercise Price	\$ 1.41	\$ 1.10	\$ 1.41
Expected Life	2.92	3.83	3.17
Volatility	135%	157%	107%
Dividend Yield	0%	0%	0%
Risk-Free Interest Rate	0.27%	0.34%	0.23%
Warrants	\$ 5,480,000	\$ -	\$ 8,266,000
Convertible Notes	-	-	-
Total Fair Value	\$ 5,480,000	\$ 2,286,000	\$ 8,266,000

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, 2020, the outstanding fair value of the derivative liability amounted to \$8,266,000.

During the period ended March 31, 2021, the Company recorded a charge of (\$500,000) to account for the changes in the fair value of these derivative liabilities during the period ended March 31, 2021. In addition, 1,027,578 shares of the Series A warrants that were accounted as derivative liability were exercised. As result, the Company computed the fair value of the corresponding derivate liability one last time which amounted to (\$2,286,000) and the pursuant to current accounting guidelines, the extinguishment was accounted as part of equity.

At March 31, 2021, the fair value of the derivative liability amounted to \$5,480,000. The details of derivative liability transactions for the period ended March 31, 2021 and 2020 are as follows:

	March 31, 2021	March 31, 2020
Beginning balance	\$ 8,266,000	\$ 5,048,000
Fair value upon issuance of notes payable and/or warrants	-	3,951,000
Change in fair value	(500,000)	(2,092,000)
Extinguishment	(2,286,000)	-
Ending balance	\$ 5,480,000	\$ 6,907,000

12. COMMON STOCK

The Company's Common Stock activity for the three months ended March 31, 2021 is as follows:

Common Stock

Shares Issued as Part of the Company's Public Offering

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 which resulted in net proceeds of \$14,129,000. Included in the \$14,129,000 is a refund of \$144,000 from the underwriter that was received subsequent to March 31, 2021.

Shares Issued for Services

During the three months ended March 31, 2021, the Company issued 935,994 shares of Common Stock to vendors for services rendered and to be rendered with a fair value of \$1,424,000. 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. In addition, 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 \$10,000. Pursuant to current accounting guidelines, the Company accounted the return of the 4,641 shares and the payment of \$10,000 for income and payroll taxes paid on behalf the employees as a reduction in additional paid in capital.

Shares Issued for Debt

During the three months ended March 31, 2021, the Company issued 121,842 shares of Common Stock to vendors certain employees as settlement of payroll of \$207,000 that was previously recorded as accrued payroll as of December 31, 2020. These shares of Common Stock were valued based on the market value of the Company's Common Stock price at the issuance date and approximates the carrying value of the accrued payroll.

13. RESTRICTED STOCK AWARDS

On December 20, 2019, the Company approved and adopted the Verb Technology Company, Inc. 2019 Omnibus Incentive Plan (the "Plan").

A summary of restricted stock unit activity for the quarter ended March 31, 2021 is presented below.

	Shares	Fair Value	Weighted-Average Grant Date Fair Value
Non-vested at December 31, 2020	2,185,946	\$ 1,943,000	\$ 1.17
Granted	813,265	1,374,000	1.69
Vested/deemed vested	(247,703)	(447,000)	1.16
Forfeited	-	-	-
Non-vested at March 31, 2021	<u>2,751,508</u>	<u>\$ 2,870,000</u>	<u>\$ 1.33</u>

On January 4, 2021, 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 up to January 2025. 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.

The total fair value of restricted stock units that vested or deemed vested for the quarter ended March 31, 2021 was \$447,000 and is included in selling, general and administrative expenses in the accompanying statements of operations. As of March 31, 2021 the amount of unvested compensation related to issuances of restricted stock units was \$2,870,000 which will be recognized as an expense in future periods as the shares vest. When calculating basic net loss per share, these shares are included in weighted average common shares outstanding from the time they vest. When calculating diluted net loss per share, these shares are included in weighted average common shares outstanding as of their grant date.

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14. STOCK OPTIONS

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

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

A summary of option activity for the three months ended March 31, 2021 is presented below.

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2020	6,031,775	\$ 1.55	2.68	\$ 1,932,000
Granted	664,000	1.38	-	-
Forfeited	(564,032)	1.87	-	-
Exercised	(332,730)	1.13	-	-
Outstanding at March 31, 2021	<u>5,799,013</u>	<u>\$ 1.62</u>	<u>2.46</u>	<u>\$ 387,000</u>
Vested March 31, 2021	3,304,078	\$ 1.71		\$ 322,000
Exercisable at March 31, 2021	2,023,118	\$ 1.94		\$ 133,000

At March 31, 2021, the intrinsic value of the outstanding options was \$387,000.

During the quarter ended March 31, 2021, the Company granted stock options to employees to purchase a total of 664,000 shares of Common Stock for services rendered. The options have an average exercise price of \$1.76 per share, expire in five years, vesting one and four years from grant date. The total fair value of these options at grant date was approximately \$1,103,000 using the Black-Scholes Option Pricing model. The total stock compensation expense recognized relating to the vesting of stock options for the quarter ended March 31, 2021 amounted to \$448,000. As of March 31, 2021, the total unrecognized stock-based compensation expense was \$4,059,000, which is expected to be recognized as part of operating expense through March 2025. In addition, a total of 332,730 shares of stock options were exercised. As a result of the exercise of the option, the Company issued 332,730 shares of common stock and received cash of \$377,000.

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

	Three months ended March 31,	
	2021	2020
Risk-free interest rate	0.10% - 0.36%	0.39%
Average expected term	5 years	5 years
Expected volatility	240.03%	270.1%
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.

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15. WARRANTS

The Company has the following warrants outstanding as of March 31, 2021, all of which are exercisable:

Weighted-

	Warrants	Weighted- Average Exercise Price	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2020	13,351,251	\$ 2.48	3.38	\$ 3,022,000
Granted	138,889	2.61	-	-
Forfeited	-	-	-	-
Exercised	(1,067,578)	1.10	-	-
Outstanding at March 31, 2021, all vested	<u>12,422,562</u>	<u>\$ 2.60</u>	<u>3.14</u>	<u>\$ 1,328,000</u>

At March 31, 2021 the intrinsic value of the outstanding warrants was \$1,328,000.

During the quarter ended March 31, 2021, the Company granted 138,889 warrants to an officer as part of a note extension (see Note 7).

During the quarter ended March 31, 2021, a total of 1,067,578 warrants were exercised into 1,036,600 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.

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.

There were no issued and outstanding shares of Class A Unit as of March 31, 2021 and December 31, 2020.

- 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.

On March 4, 2021, 2,642,159 all Class B units were converted into 2,642,159 shares of Verb Technology common stock.

17. COMMITMENTS AND CONTINGENCIES

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 judgement on its interpretation of the cashless exercise formula, and stating, *inter alia*, that “the Agreements read in their entirety reveal that nFUSZ, Inc.’s position regarding the proper cashless exercise formula is the only sensible one and that the cashless exercise formula must be enforced accordingly.” 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 on the finding that EMA attempted to utilize an improper warrant exercise formula, the court nevertheless found that the Company should have accepted the exercise notice and issued the shares the Company believed EMA was then due. Instead of ordering the Company to deliver those shares today, the court ordered the Company to pay the highest value of those shares on the relevant date, to which the Company has taken exception. Accordingly, 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 in the event its appeal is not successful.

- 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. This former employee filed his complaint in the Superior Court of California for the County of Los Angeles on November 20, 2019, styled *Meyerson v. Verb Technology Company, Inc., et al.* (Case No. 19STCV41816). The Company does not believe 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. For additional information, refer to the section entitled "Legal Proceedings" from the 2020 Annual Report.

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, among 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 \$640,000 settlement of the Hartmann Class Action.

During the period ended March 31, 2021, the Company paid \$56,000 pursuant to the Stipulation of Settlement. As of March 31, 2021, outstanding balance due amounted to \$468,000.

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 defense of the Hartmann Class Action described above. 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 Hartmann Class Action. 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. On April 1, 2021, the Company paid \$75,000 to cover the attorney fees and expenses that were due.

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

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

Board of Directors

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

Total board fees expensed during the quarter ended March 31, 2021 was \$119,000. As of March 31, 2021, total board fees to be recognized in future period amounted to \$356,000 and will be recognized once the service has been rendered.

18. SUBSEQUENT EVENTS

Issuance of Common Stock

Subsequent to March 31, 2021, the Company issued 233,959 shares of Common Stock to vendors for services rendered with a fair value of \$283,000. 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 March 31, 2021, 100,149 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 \$121,000. Pursuant to current accounting guidelines, the Company accounted the return of the 100,149 shares and the payment of \$121,000 for income and payroll taxes paid on behalf the employees as a reduction in additional paid in capital.

Grant of Stock Options

Subsequent to March 31, 2021, the Company granted stock options to an employee to purchase a total of 225,000 shares of Common Stock for to be services rendered. The options have an exercise price of \$1.36 per share, expire in five years, and vest over a period of 4 years from grant date. The total fair value of these options at the grant date was \$286,000 using the Black-Scholes option pricing model.

Employment Activities

On April 28, 2021, in the Company's process to reorganize its development team and related processes, it eliminated the position of Chief Product Officer. Accordingly, the employment of Julie Ann Holdren, the Company's former Chief Product Officer, ended on the same date.

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

Forward-Looking Statements

The following discussion and analysis of the results of operations and financial condition of our company for the three-month periods ended March 31, 2021 and 2020 should be read in conjunction with the financial statements and related notes and the other financial information that are included elsewhere in this Quarterly Report on Form 10-Q. This discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations, and intentions. Forward-looking statements are statements not based on historical fact and which relate to future operations, strategies, financial results, or other developments. Forward-looking statements are based upon estimates, forecasts, and assumptions that are inherently subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to business decisions, are subject to change. These uncertainties and contingencies can cause actual results to differ materially from those expressed in any forward-looking statements made by us, or on our behalf. We disclaim any obligation to update forward-looking statements. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements.

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

Overview

We are a Software-as-a-Service ("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.

Verb Partnerships and Integrations

We have completed and deployed the integration of verbLIVE into Salesforce and have launched a joint marketing campaign with Salesforce to introduce the verbLIVE plug-in functionality to current Salesforce users. We have also developed a verbCRM sync application for Salesforce users that 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 while we work to build adoption rates.

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. Our experience demonstrates 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 have completed working to introduce an integration of our interactive video technology into Microsoft Outlook and following the public beta we are currently conducting, we anticipate a broad-scale launch in the summer of 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 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 receives 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, 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 May 10, 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 2.0 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

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 March 31, 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 quarter ended March 31, 2021 and through the filing of this Quarterly 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 quarter ended March 31, 2021 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 March 31, 2021, 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 quarter ended March 31, 2021. 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.

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Results of Operations

Three Months Ended March 31, 2021 as Compared to the Three Months Ended March 31, 2020

The following is a comparison of our results of operations for the three months ended March 31, 2021 and 2020:

	Quarter Ended March 31, 2021	Quarter Ended March 31, 2020	Change
Revenue			
SaaS recurring subscription revenue	\$ 1,461,000	\$ 1,057,000	404,000
Other digital revenue	340,000	400,000	(60,000)
Design, printing, and fulfillment	615,000	728,000	(113,000)
Shipping	110,000	169,000	(59,000)
Total revenue	<u>2,526,000</u>	<u>2,354,000</u>	<u>172,000</u>
Cost of Revenue			
Digital	540,000	230,000	310,000
Design, printing, and fulfillment	585,000	676,000	(91,000)
Shipping	90,000	157,000	(67,000)
Total cost of revenue	<u>1,215,000</u>	<u>1,063,000</u>	<u>152,000</u>
Gross margin	<u>1,311,000</u>	<u>1,291,000</u>	<u>20,000</u>
Operating expenses			
Research and development	2,884,000	1,274,000	1,610,000
Depreciation and amortization	414,000	363,000	51,000
General and administrative	7,343,000	3,514,000	3,829,000
Total operating expenses	<u>10,641,000</u>	<u>5,151,000</u>	<u>5,490,000</u>
Loss from operations	<u>(9,330,000)</u>	<u>(3,860,000)</u>	<u>(5,470,000)</u>
Other income (expense), net			
Other income (expense)	54,000	(6,000)	60,000
Interest expense - amortization of debt discount	(475,000)	(137,000)	(338,000)
Change in fair value of derivative liability	500,000	2,092,000	(1,592,000)
Gain on extinguishment of PPP note payable	1,226,000	-	1,226,000
Debt extinguishment, net	(287,000)	-	(287,000)
Interest expense	(33,000)	(35,000)	2,000
Total other income, net	<u>985,000</u>	<u>1,914,000</u>	<u>(929,000)</u>
Deemed dividend to Series A preferred stockholders	-	(3,951,000)	3,951,000
Net loss to common stockholders	<u>\$ (8,345,000)</u>	<u>\$ (5,897,000)</u>	<u>\$ (2,448,000)</u>

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Revenue

Total revenue for the quarter ended March 31, 2021 was \$2.5 million, a 7% increase compared to the \$2.4 million reported for the quarter ended March 31, 2020. 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, verbTEAMS, 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 quarter ended March 31, 2021 was \$1.8 million, an increase of 24% compared to the \$1.5 million reported for the quarter ended March 31, 2020. The increase was primarily driven from SaaS recurring subscription-based revenue associated with our verbCRM, verbLEARN, verbTEAMS, and verbLIVE applications totaling \$1.5 million, and increase of 38% compared to \$1.1 million reported for the quarter ended March 31, 2020. Non-subscription digital revenue for the quarter ended March 31, 2021 was \$340,000, compared to \$400,000 for the quarter ended March 31, 2020.

Total non-digital revenue for the quarter ended March 31, 2021 was \$725,000, a decrease of 19% compared to \$897,000 reported for the quarter ended March 31, 2020, which is consistent with the Company's strategy to exit the low margin printing, fulfillment, and shipping aspects of the legacy business to focus on digital revenue streams.

The table below sets forth our quarterly revenues from the quarter ended March 31, 2019 through the quarter ended March 31, 2021, which reflects the trend of revenue since our acquisition of Verb Direct in April 2019:

	2019 Quarterly Revenue				2020 Quarterly Revenue				2021
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
SaaS recurring subscription revenue	\$ 9,000	\$ 858,000	\$ 953,000	\$ 995,000	1,057,000	1,274,000	1,478,000	1,305,000	1,461,000
Other digital revenue	-	596,000	485,000	344,000	400,000	406,000	360,000	218,000	340,000
Total digital revenue	\$ 9,000	\$ 1,454,000	\$ 1,438,000	\$ 1,339,000	1,457,000	1,680,000	1,838,000	1,523,000	1,801,000
Design, printing, and fulfillment	-	1,784,000	1,164,000	965,000	728,000	713,000	836,000	467,000	615,000
Shipping	-	495,000	271,000	181,000	169,000	259,000	186,000	109,000	110,000
Total non-digital revenue	\$ -	\$ 2,279,000	\$ 1,435,000	\$ 1,146,000	897,000	972,000	1,022,000	576,000	725,000
Grand total	\$ 9,000	\$ 3,733,000	\$ 2,873,000	\$ 2,485,000	2,354,000	2,652,000	2,860,000	2,099,000	2,526,000

Cost of Revenue

Total cost of revenue for the quarter ended March 31, 2021 was \$1.2 million, compared to \$1.1 million for the quarter ended March 31, 2020. The increase in cost of revenue is primarily attributed to additional enterprise customers on the platform, increased users within our existing customer base, free trials associated with verbLIVE, all offset by a decrease in non-digital costs.

Gross Margin

Total gross margin for the quarter ended March 31, 2021 was virtually flat compared to the quarter ended March 31, 2020. The slight increase is attributed to an increase in digital revenue, offset by lower non-digital revenue and increase hosting fees driven by verbLIVE free trials.

Operating Expenses

Research and development expenses were \$2.9 million for the quarter ended March 31, 2021, as compared to \$1.3 million for the quarter ended March 31, 2020. 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, our attribution feature, enhancements to verbCRM, as well as the Microsoft Outlook integration, and our new Marketplace platform.

Depreciation and amortization expenses were \$414,000 for the quarter ended March 31, 2021, as compared to \$363,000 for the quarter ended March 31, 2020. The increase is associated with the amortization of SoloFire intangible assets.

General and administrative expenses for the quarter ended March 31, 2021 were \$7.3 million, as compared to \$3.5 million for the quarter ended March 31, 2020. The increase in spending was to support growth, anticipated product launches, implementation of Netsuite, ongoing compliance with Sarbanes Oxley, and an additional quarter of Solofire operations. The notable increases versus the quarter ended March 31, 2020 were increases in non-cash stock compensation expense of \$1.5 million, additional labor of \$833,000, increased marketing and promotion of \$701,000, and increased professional services of \$409,000.

Other income (expense), net, for the quarter ended March 31, 2021 was \$986,000, which was attributed to a gain on extinguishment of a PPP note payable of \$1,226,000, a change in the fair value of derivative liability of \$500,000, other income of \$54,000, offset by amortization of debt discount of (\$475,000), debt extinguishment (\$287,000) and interest expense of (\$33,000). Other income (expense), net, for the quarter ended March 31, 2020 totaled \$1.9 million, which was attributed to a change in the fair value of derivative liability of \$2.1 million, offset by interest expense for amortization of debt discount of (\$137,000), interest expense of (\$35,000), and other expense of (\$6,000).

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.

	Quarter Ended	
	March 31, 2021	March 31, 2020
Net loss	\$ (8,345,000)	\$ (1,946,000)
Adjustments		
Other (income) / expense	(54,000)	6,000
Stock compensation expense	2,402,000	943,000
Amortization of debt discount	475,000	137,000
Change in fair value of derivative liability	(500,000)	(2,092,000)
Gain on extinguishment of PPP note payable	(1,226,000)	-
Debt extinguishment, net	287,000	-
Interest expense	33,000	35,000
Depreciation and amortization	414,000	363,000
Income tax provision	-	-
Total EBITDA adjustments	1,831,000	(608,000)
Modified EBITDA	\$ (6,514,000)	\$ (2,554,000)

The \$4.0 million decrease in Modified EBITDA for the quarter ended March 31, 2021, compared to the same period in 2020, resulted from increased research and development, an extra quarter of expenses related to SoloFire, an increase in professional services, labor related costs to support growth, and marketing and promotion.

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 \$8,345,000 during the quarter ended March 31, 2021. We also utilized cash in operations of \$6,923,000 during the quarter ended March 31, 2021. 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 March 31, 2021, we had cash of \$12,946,000. 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.

The following is a summary of our cash flows from operating, investing, and financing activities for the quarters ended March 31, 2021 and 2020:

Quarter Ended

	March 31, 2021	March 31, 2020
Cash used in operating activities	\$ (6,923,000)	\$ (2,266,000)
Cash used in investing activities	5,000	(121,000)
Cash provided by financing activities	18,049,000	3,019,000
Increase in cash	\$ 11,131,000	\$ 632,000

Cash Flows – Operating

For the quarter ended March 31, 2021, our cash flows used in operating activities amounted to \$6.9 million, compared to cash used for the quarter ended March 31, 2020 of \$2.3 million. The change is attributed to the growth of the business, product development, marketing and promotion, professional services, inclusion of SoloFire operating expenses, a change in deferred compensation of (\$377,000), a change in prepaid expenses of (\$269,000), a change in accounts receivable of (\$268,000) compared to March 31, 2020.

Cash Flows – Investing

For the quarter ended March 31, 2021, our cash flows from investing activities amounted to \$5,000, which was attributed to the gain on sale of assets. For the quarter ended March 31, 2020, our cash flows used in investing activities amounted to \$(121,000). The change is attributed to fixed asset purchases associated with our new corporate headquarters in Newport Beach, California.

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Cash Flows – Financing

Our cash provided by financing activities for the quarter ended March 31, 2021 amounted to \$18.0 million, which represented \$14.0 million of net proceeds from the issuance of shares of our common stock, advances on future receipts of \$4.3 million, proceeds from warrant exercises of \$1.1 million, and proceeds from option exercises of \$377,000, all offset by (\$1.7) million of payments against advance on future receipts. Our cash provided by financing activities for the three months ended March 31, 2020 amounted to \$3.0 million, which represented \$3.4 million of net proceeds from the issuance of shares of our common stock, offset by \$411,000 of payments against advance on future receipts. Our cash provided by financing activities for the quarter ended March 31, 2019 amounted to \$514,000, which represented \$432,000 of proceeds from the issuance of convertible debt, \$350,000 proceeds from the issuance of unsecured debt, \$58,000 of unsecured related party debt, offset by \$326,000 of deferred offering costs.

Notes Payable – Related Parties

We have the following outstanding notes payable to related parties as of March 31, 2021:

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at March 31, 2021
Note (A)	December 1, 2015	February 8, 2023	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					(725,000)
Current					\$ 352,000

(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. During the year ended December 31, 2020, the Company made payments of \$100,000. On February 25, 2021 the Company extended the note to February 8, 2023 with no changes to the other terms of the note agreement. As of March 31, 2021, the outstanding balance of the note amounted to \$725,000.

(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 March 31, 2021, 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. As of March 31, 2021, the outstanding balance of the note amounted to \$240,000.

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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	\$ 215,000
Rory J. Cutaia (B)	December 23, 2019	50% on January 10, 2021 and 50% on January 10, 2022	161,000
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			664,000
Non-current			-
Current			\$ 664,000

(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 paid 50% of the annual incentive compensation on January 10, 2021 and the remaining 50% on January 10, 2022. On January 12, 2021, the Company paid \$215,000 and paid the remaining \$63,000 due subsequent to March 31, 2021.

- (B) On December 23, 2019, we awarded Rory Cutaia, our Chief Executive Officer and Jeff Clayborne, our Chief Financial Officer a bonus for the successful up-listing to The NASDAQ Capital Market and the acquisition of Verb Direct totaling \$324,000 and \$162,000, respectively. We have determined that it is in our best interest and in the best interest of our stockholders to defer payments to Messrs. Cutaia and Clayborne. We paid 50% of these awards on January 10, 2021 and the remaining 50% on January 10, 2022. On January 12, 2021, the Company paid \$162,000 and paid the remaining \$82,000 due subsequent to March 31, 2021.

Advance on Future Receipts

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at March 31, 2021
Note A	January 13, 2021	September 10, 2021	108%	844,000	556,000
Note A	January 13, 2021	September 10, 2021	108%	844,000	556,000
Note B	January 22, 2021	July 1, 2021	108%	2,040,000	1,454,000
Note C	February 18, 2021 – March 3, 2021	August 3, 2021 – August 15, 2021	12%	1,696,000	1,329,000
Total				\$ 1,012,000	3,895,000
Debt discount					(725,000)
Net					\$ 3,170,000

- (A) On January 13, 2021, the Company received two secured advances from the same unaffiliated third party totaling \$1,213,000 for the purchase of future receipts/revenues of \$1,688,000. Pursuant to the terms of the agreement the unaffiliated third-party will auto withdraw an aggregate of \$11,000 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 108% based on the face value of the note. The Company may pay off either note for \$744,000 if paid within 30 days of funding; for \$775,000 if paid between 31 and 60 days of funding; or for \$806,000 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 \$1,688,000 to account for the future receipts sold and a debt discount of \$475,000 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.

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- (B) On January 22, 2020, the Company received a secured advance from an unaffiliated third party totaling \$1,440,000 for the purchase of future receipts/revenues of \$2,040,000. Pursuant to the terms of the agreement the unaffiliated third-party will auto withdraw an aggregate of \$13,000 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 108% based on the face value of the note. The Company may pay off either note for \$1,725,000 if paid within 30 days of funding; for \$1,860,000 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 \$1,920,000 to account for the future receipts sold and a debt discount of \$600,000 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.

- (C) In February and March, 2021, the Company received secured advances from an unaffiliated third party totaling \$1,637,000 for the purchase of future receipts/revenues of \$1,696,000. Pursuant to the terms of the agreement the unaffiliated third-party will auto withdraw an average of \$283,000 from the Company's operating account each month. 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 12% based on the face value of the notes. As a result, the Company recorded a liability of \$1,696,000 to account for the future receipts sold and a debt discount of \$59,000 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.

Notes Payable

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at March 31, 2021
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	150,000
Note C	May 1, 2020	May 1, 2022	3.75%	90,000	90,000
Total notes payable				1,458,000	240,000
Non-current				(1,458,000)	(240,000)
Current				\$ -	\$ -

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

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

On January 4, 2021, 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 under the Economic Injury Disaster Loan program in the aggregate principal of \$150,000, in exchange for net proceeds of \$149,900. \$100 of financing costs is included in the original principal amount. The loan is unsecured and payable over 30 years at an interest rate of 3.75%. Installment payments, including principal and interest, will begin on May 15, 2021.

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

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. The Company intends to use the proceeds for purposes consistent with the PPP. While the Company currently believes that its use of the loan proceeds will meet the conditions for forgiveness of the loan, we cannot assure you that we will not take actions that could cause the Company to be ineligible for forgiveness of the loan, in whole or in part. As for the potential loan forgiveness, once the PPP loan is, in part or wholly, forgiven and a legal release is received, the liability would be reduced by the amount forgiven and a gain on extinguishment would be recorded. The terms of the PPP loan provide for customary events of default including, among other things, payment defaults, breach of representations and warranties, and insolvency events. The Company was in compliance with the terms of the PPP loan as of March 31, 2021.

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 Payments

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

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

Goodwill

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

Intangible Assets with Finite Useful Lives

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

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

Recently Issued Accounting Pronouncements

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

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

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ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, that are designed to ensure that information required to be

disclosed in our reports under the Exchange Act, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

We carried out an evaluation under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the period covered by this Quarterly Report. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of March 31, 2021.

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.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2021 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

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

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

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

From time to time, we are involved in various investigative inquiries, legal proceedings and other disputes arising from or related to matters incident to the ordinary course of our business activities, including actions with respect to intellectual property, employment, regulatory and contractual matters. Although the results of such investigative inquiries, legal proceedings and other disputes cannot be predicted with certainty, we believe that we are not currently a party to any matters which, if determined adversely to us, would, individually or taken together, have a material adverse effect on our business, operating results, financial condition or cash flows. However, regardless of the merit of any matters raised or the ultimate outcome, investigative inquiries, legal proceedings and other disputes may generally have an adverse impact on us as a result of defense and settlement costs, diversion of management resources, and other factors.

For additional information regarding legal proceedings, refer to Note 17, "Commitments and Contingencies" of the Notes to our Consolidated Financial Statements, which is incorporated herein by reference.

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 Quarterly Report on Form 10-Q, 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 \$8,345,000 for the quarter ended March 31, 2021. 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

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.

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 May 10, 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 May 10, 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.

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

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 - OTHER INFORMATION

None.

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ITEM 6 - EXHIBITS

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

INDEX TO EXHIBITS

Exhibit Number	Description
10.1	Securities Purchase Agreement, dated March 11, 2021 (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by the Company with the SEC on March 15, 2021).
31.1	Certification Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Principal Executive Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
32.2	Certification of Principal Financial Officer and Principal Accounting Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

VERB TECHNOLOGY COMPANY, INC.

Date: May 13, 2021

By: /s/ Rory J. Cutaia

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

Date: May 13, 2021

By: /s/ Jeffrey Clayborne

Jeffrey Clayborne
Chief Financial Officer
(Principal Accounting Officer)

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

I, Rory J. Cutaia, certify that:

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

May 13, 2021

/s/ Rory Cutaia

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

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

I, Jeffrey Clayborne, certify that:

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

May 13, 2021

/s/ Jeffrey Clayborne

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

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

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

1. The Quarterly Report on Form 10-Q of Verb Technology Company, Inc. for the quarterly period ended March 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Verb Technology Company, Inc. as of the dates and for the periods presented.

May 13, 2021

/s/ Rory Cutaia

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

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

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

1. The Quarterly Report on Form 10-Q of Verb Technology Company, Inc. for the quarterly period ended March 31, 2021 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as amended; and
2. The information contained in the Quarterly Report on Form on 10-Q fairly presents, in all material respects, the financial condition and results of operations of Verb Technology Company, Inc. as of the dates and for the periods presented.

May 13, 2021

/s/ Jeffrey Clayborne

Jeffrey Clayborne

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