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

FORM 10-Q

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

For the quarterly period ended March 31, 2022

OR

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

For the transition period from ________ to ________

Commission file number: 001-38834

Verb Technology Company, Inc.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

Yes ☒ No ☐

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

Yes ☒ No ☐

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

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

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

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

As of May 10, 2022, there were 101,440,840 shares of common stock, $0.0001 par value per share, outstanding.

VERB TECHNOLOGY COMPANY, INC.
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CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the three months ended March 31, 2022 (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;
- 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;
- the novel coronavirus ("COVID-19") pandemic, which has had a sustained impact on our business, sales, results of operations and financial condition;
- our ability to deliver our services, as we depend on third party Internet providers;
- our ability to pay our debt obligations as they become due; 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, 2021 (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

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

	March 31, 2022 (unaudited)	December 31, 2021
ASSETS		
Current assets		
Cash	$ 3,718	$ 937
Accounts receivable, net	1,536	1,382
Prepaid expenses and other current assets	714	875
Total current assets	5,968	3,194
Capitalized software development costs	6,207	4,348
Property and equipment, net	646	702
Operating lease right-of-use assets	1,548	2,177
Intangible assets, net	3,669	3,953
Goodwill	19,764	19,764
Other assets	293	293
Total assets	**$ 38,095**	**$ 34,431**
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 3,598	$ 3,751
Accrued expenses	3,416	3,500
Accrued officers' salary	1,192	1,209
Advances on future receipts, net	2,135	4,181
Notes payable, current	5,767	40
Deferred incentive compensation to officers, current	-	521
Operating lease liabilities, current	337	592
Contract liabilities	1,062	986
Derivative liability	2,017	3,155
Total current liabilities	19,524	17,935
Long-term liabilities		
Notes payable, non-current	875	875
Operating lease liabilities, non-current	1,874	2,299
Total liabilities	22,273	21,109
Commitments and contingencies (Note 13)		
Stockholders' equity		
Preferred stock, $0.0001 par value, 15,000,000 shares authorized:		
Series A Convertible Preferred Stock, 6,000 shares authorized; 0 issued and outstanding as of March 31, 2022 and December 31, 2021	-	-
Class A units, 100 shares issued and authorized as of March 31, 2022 and December 31, 2021	-	-
Class B units, 2,642,159 shares authorized, 0 issued and outstanding as of March 31, 2022 and December 31, 2021	-	-
Common stock, $0.0001 par value, 200,000,000 shares authorized, 82,417,176 and 72,942,948 shares issued and outstanding as of March 31, 2022 and December 31, 2021	8	7
Additional paid-in capital	138,830	129,342
Accumulated deficit	(123,016)	(116,027)
Total stockholders' equity	**15,822**	**13,322**
Total liabilities and stockholders' equity	**$ 38,095**	**$ 34,431**

See accompanying notes to the condensed consolidated financial statements

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

	Three Months Ended March 31,	
	2022	**2021**
Revenue		
Digital revenue		
SaaS recurring subscription revenue	$ 2,003	$ 1,461
Other digital revenue	147	340
Total digital revenue	2,150	1,801
Non-digital revenue	541	725
Total revenue	2,691	2,526
Cost of revenue		
Digital	557	540
Non-digital	416	675
Total cost of revenue	973	1,215
Gross margin	1,718	1,311
Operating expenses		
Research and development	1,580	2,884
Depreciation and amortization	409	414
General and administrative	7,036	7,343
Total operating expenses	9,025	10,641
Loss from operations	(7,307)	(9,330)
Other income (expense)		
Interest expense	(756)	(508)
Change in fair value of derivative liability	1,138	500
Other income (expense), net	(64)	54
Debt extinguishment, net	-	939
Total other income, net	318	985
Net loss	**$ (6,989)**	**$ (8,345)**
Loss per share – basic and diluted	**$ (0.09)**	**$ (0.16)**
Weighted average number of common shares outstanding – basic and diluted	**76,458,088**	**52,045,428**

See accompanying notes to the condensed consolidated financial statements

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

For the three months ended March 31, 2022

	Preferred Stock		Class A Units		Class B Units		Common Stock		Additional Paid-in	Accumulated	
	Shares	*Amount*	*Shares*	*Amount*	*Shares*	*Amount*	Shares	Amount	Capital	Deficit	Total
Balance at December 31, 2021	**-**	**$ -**	**100**	**$ -**	**-**	**$ -**	**72,942,948**	**$ 7**	**$ 129,342**	**$ (116,027)**	**$ 13,322**
Sale of common stock from public offering	-	-	-	-	-	-	7,477,583	1	7,537	-	7,538
Issuance of common stock for commitment fee related to equity line of credit agreement	-	-	-	-	-	-	607,287	-	-	-	-
Issuance of common stock from option exercise	-	-	-	-	-	-	332,730	-	377	-	377
Fair value of common shares issued for services	-	-	-	-	-	-	311,938	-	436	-	436
Fair value of common shares issued to settle accrued expenses	-	-	-	-	-	-	287,644	-	350	-	350
Fair value of vested restricted stock awards, stock options and warrants	-	-	-	-	-	-	457,046	-	788	-	788
Net loss	-	-	-	-	-	-	-	-	-	(6,989)	(6,989)
Balance at March 31, 2022	**-**	**$ -**	**100**	**$ -**	**-**	**$ -**	**82,417,176**	**$ 8**	**$ 138,830**	**$ (123,016)**	**$ 15,822**

For the three months ended March 31, 2021

	Preferred Stock		Class A Units		Class B Units		Common Stock		Additional Paid-in	Accumulated	
	Shares	***Amount***	***Shares***	***Amount***	***Shares***	***Amount***	**Shares**	**Amount**	**Capital**	**Deficit**	**Total**
Balance at December 31, 2020	**2,006**	**$ -**	**100**	**$ -**	**2,642,159**	**$ 3,065**	**47,795,009**	**$ 5**	**$ 89,216**	**$ (81,541)**	**$ 10,745**
Sale of common stock from public offering	-	-	-	-	-	-	9,375,000	1	14,128	-	14,129
Issuance of common stock from warrant exercise	-	-	-	-	-	-	1,036,600	-	1,103	-	1,103
Issuance of common stock from option exercise	-	-	-	-	-	-	332,730	-	377	-	377
Conversion of Series A Preferred to common stock	(300)	-	-	-	-	-	272,728	-	-	-	-
Fair value of common shares issued for services	-	-	-	-	-	-	809,511	-	1,414	-	1,414
Fair value of vested restricted stock awards	-	-	-	-	-	-	247,703	-	447	-	447
Fair value of vested stock options and warrants	-	-	-	-	-	-	-	-	448	-	448
Extinguishment of derivative liability upon exercise of warrants	-	-	-	-	-	-	-	-	2,286	-	2,286
Fair value of common shares issued to settle accrued expenses	-	-	-	-	-	-	121,842	-	207	-	207
Fair value of warrants issued to officer to modify note payable	-	-	-	-	-	-	-	-	287	-	287
Conversion of Class B Units to common shares	-	-	-	-	(2,642,159)	(3,065)	2,642,159	-	3,065	-	-
Net loss	-	-	-	-	-	-	-	-	-	(8,345)	(8,345)
Balance at March 31, 2021	**1,706**	**$ -**	**100**	**$ -**	**-**	**$ -**	**62,633,282**	**$ 6**	**$ 112,978**	**$ (89,886)**	**$ 23,098**

See accompanying notes to the condensed consolidated financial statements

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

	Three Months Ended March 31,	
	2022	2021
Operating Activities:		
Net loss	$ (6,989)	$ (8,345)
Adjustments to reconcile net loss to net cash used in operating activities:		
Share-based compensation	1,301	2,402
Amortization of debt discount	536	475
Amortization of debt issuance costs	113	-
Change in fair value of derivative liability	(1,138)	(500)
Debt extinguishment, net	-	(939)
Depreciation and amortization	409	414
Loss on lease termination	22	-
Loss on disposal of property and equipment	10	-
Allowance for doubtful accounts	189	124
Effect of changes in assets and liabilities:		
Accounts receivable	(343)	(259)
Prepaid expenses and other current assets	128	(285)
Operating lease right-of-use assets	86	140
Accounts payable, accrued expenses, and accrued interest	237	362
Contract liabilities	76	26
Deferred incentive compensation	(377)	(377)
Operating lease liabilities	(159)	(161)
Net cash used in operating activities	(5,899)	(6,923)
Investing Activities:		
Proceeds from sale of property and equipment	3	5
Capitalized software development costs	(2,284)	-
Purchases of intangible assets	(82)	-
Net cash provided by (used in) investing activities	(2,363)	5
Financing Activities:		
Proceeds from sale of common stock	7,538	13,985
Proceeds from notes payable	6,000	-
Advances on future receipts	-	4,290
Proceeds from warrant exercise	-	1,103
Payment of advances on future receipts	(2,507)	(1,706)
Proceeds from option exercise	377	377
Payment for debt issuance costs	(365)	-
Net cash provided by financing activities	11,043	18,049
Net change in cash	2,781	11,131
Cash - beginning of period	937	1,815
Cash - end of period	$ 3,718	$ 12,946

See accompanying notes to the condensed consolidated financial statements

VERB TECHNOLOGY COMPANY, INC.
Notes to Condensed Consolidated Financial Statements
For the Three Months Ended March 31, 2022 and 2021
(in thousands, except share and per share data)
(unaudited)

1. DESCRIPTION OF BUSINESS

Our Business

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

The Company is a 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 ("CRM") application, verbLEARN, our Learning Management System application, verbLIVE, our Live Stream eCommerce application, verbPULSE, our business/augmented intelligence notification and sales coach application, and verbTEAMS, our self-onboarding video-based CRM and content management application for professional sports teams, small business and solopreneurs, with seamless synchronization with Salesforce, that also comes bundled with verbLIVE, and more recently, we introduced verbMAIL, our interactive video-based sales communication tool integrated into Microsoft Outlook. Of note is our forthcoming MARKET, a multi-vendor, multi-presenter, livestream social shopping platform at the forefront of the convergence of ecommerce and entertainment.

The Company also provides certain non-digital services to some of its enterprise clients such as printing, fulfillment services, design and print welcome kits and starter kits. We use the term "client" and "customer" interchangeably.

COVID-19

As of the date of this filing, there continues to be widespread concern regarding the ongoing impacts and disruptions caused by the COVID-19 pandemic in the regions in which the Company operates. Although the impacts of the COVID-19 pandemic have 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND SUPPLEMENTAL DISCLOSURES

Basis of Presentation

The accompanying condensed consolidated financial statements are unaudited. These unaudited interim condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to such rules and regulations. Accordingly, these interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto contained in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2021 filed with the SEC on March 31, 2022 (the "2021 Annual Report"). The consolidated balance sheet as of December 31, 2021 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 have been prepared in accordance with GAAP and include the accounts of Verb, Verb Direct, LLC, Verb Acquisition Co., LLC, and verbMarketplace, LLC. All intercompany accounts have been eliminated in the consolidation. Certain prior period amounts have been reclassified to conform to the current presentation.

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 three months ended March 31, 2022, the Company incurred a net loss of $6,989 and used cash in operations of $5,899. 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.

On January 12, 2022, the Company entered into a common stock purchase agreement (the "Common Stock Purchase Agreement") with Tumim Stone Capital LLC (the "Investor"). Pursuant to the agreement, the Company has the right, but not the obligation, to sell to the Investor, and the Investor is obligated to purchase, up to $50,000 of newly issued shares (the "Total Commitment") of the Company's common stock, par value $0.0001 per share (the "Common Stock") from time to time during the term of the agreement, subject to certain limitations and conditions. The Total Commitment is inclusive of 607,287 shares of Common Stock (the "Commitment Shares"), issued to the Investor as consideration for its commitment to purchase shares of Common Stock under the Common Stock Purchase Agreement.

On January 12, 2022, the Company also entered into a securities purchase agreement with three institutional investors (collectively, the "Note Holders") providing for the sale and issuance of an aggregate original principal amount of $6,300 in convertible notes due January 2023 (each, a "Note," and, collectively, the "Notes," and such financing, the "Note Offering"). The Company and the Note Holders also entered into a security agreement, dated January 12, 2022, in connection with the Note Offering, pursuant to which the Company granted a security interest to the Note Holders in substantially all of its assets.

On April 20, 2022, the Company entered into a securities purchase agreement (the "Purchase Agreement"), which provides for the sale and issuance by the Company of an aggregate of (i) 14,666,667 shares of the Company's common stock, $0.0001 par value per share, at a purchase price of $0.75 per share, and (ii) warrants to purchase 14,666,667 shares of the common stock at an exercise price of $0.75 per share, for aggregate gross proceeds of $11,000 before deducting placement agent commissions and other estimated offering expenses (the "Registered Direct Offering"). The Purchase Agreement contains customary representations, warranties and agreements by the Company, customary conditions to closing, and customary indemnification obligations of the Company. The Purchase Agreement amongst other things restricts us from selling shares using at the market ("ATM") agreement with Truist Securities and the Common Stock Purchase Agreement. As a result of this transaction, certain of our Series A warrants priced at $1.10 per share were repriced to $0.75 per share under the terms of such warrant agreements. The fair value of such warrants at this new exercise price is approximately $500 and the Company will account for this change as a deemed dividend. In addition, as a result of entering into the Purchase Agreement, the Company repaid $1,650 in principal payments to Note Holders pursuant to the terms of the Note Offering, thereby reducing the outstanding principal balance from $6,300 to $4,650.

On April 20, 2022, the Company also entered into a placement agency agreement (the "Placement Agency Agreement") with A.G.P./Alliance Global Partners (the "Placement Agent"). Pursuant to the terms of the Placement Agency Agreement, the Placement Agent agreed to use its reasonable best efforts to arrange for the sale of the Securities in the Registered Direct Offering. See Note 14 – Subsequent Events.

Use of Estimates

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

Revenue Recognition

The Company recognizes revenue in accordance with Financial Accounting Standard Board's ("FASB") ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). The Company derives its revenue primarily from providing application services through the SaaS application, digital marketing and sales support services. The Company also derives revenue from the sale of customized print products and training materials, branded apparel, and digital tools, as demanded by its customers.

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 verb app products and platform services which include verbCRM, verbLEARN, verbLIVE, verbTEAMS, and verbPULSE. The revenue is recognized straight-line over the subscription period.

    b. Non-SaaS, non-recurring digital revenue, which is revenue generated by the use of 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.

    Subscription revenue from the application services is 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 for as part of contract liabilities and amortized over the estimated life of the agreement. Revenue is measured as the amount of consideration expected to be received in exchange for transferring the products or services to a customer

2. Non-digital revenue, which is revenue generated from non-app, non-digital sources through ancillary services provided as an accommodation to clients and customers. These services, which are now outsourced to a strategic partner as part of a cost reduction plan instituted in 2020, include design, printing services, fulfillment and shipping services. The revenue is recognized upon completion and shipment of products or fulfillment to the 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. 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 Consolidated Statements of Operations. Historically, we have not experienced any significant payment delays from customers. The Company allows returns within 30 days of purchase from end-users. Customers may return purchased products under certain circumstances. Returns from customers in the past and during the three months ended March 31, 2022 and 2021 are immaterial.

    Revenues during the three months ended March 31, 2022 and 2021 were substantially all generated from the United States of America.

Cost of Revenue

Cost of revenue primarily consists of the salaries of certain employees and contractors, digital content costs, purchase price of consumer products, 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.

Contract Liabilities

Contract liabilities represent consideration received from customers under revenue contracts for which the Company has not yet delivered or completed its performance obligation to the customer. Contract liabilities are recognized over the contract period.

Capitalized Software Development Costs

The Company capitalizes internal and external costs directly associated with developing internal-use software, and hosting arrangements that include an internal-use software license, during the application development stage of its projects. The Company's internal-use software is reported at cost less accumulated depreciation. Depreciation begins once the project has been completed and is ready for its intended use. The Company will depreciate the asset on a straight-line basis over a period of three years, which is the estimated useful life. Software maintenance activities or minor upgrades are expensed in the period performed. As of March 31, 2022 and December 31, 2021, the Company capitalized \$6,207 and \$4,348, respectively, in software development costs and recorded as capitalized software development costs in our condensed consolidated balance sheets (see Note 3).

Depreciation expense related to capitalized software development costs are recorded in Cost of revenue in the consolidated statements of operations. There was no depreciation expense related to capitalized software development costs for the three months ended March 31, 2022 and 2021 as the software has not been completed and utilized.

Fair Value of Financial Instruments

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

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

Level 1: Quoted market prices available in active markets for identical assets or liabilities as of the reporting date.
Level 2: Pricing inputs other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date.
Level 3: Pricing inputs that are generally observable inputs and not corroborated by market data.

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

Derivative Financial Instruments

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

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

Share-Based Compensation

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

Net Loss Per Share

Basic net loss per share is computed by using the weighted-average number of common shares outstanding during the period. Diluted net loss per share is computed giving effect to all dilutive potential shares of common stock that were outstanding during the period. Dilutive potential shares of common stock consist of incremental shares of common stock issuable upon exercise of stock options. No dilutive potential shares of common stock were included in the computation of diluted net loss per share because their impact was anti-dilutive.

As of March 31, 2022, and 2021, the Company had total outstanding options of 5,877,643 and 5,799,013, respectively, and warrants of 10,984,740 and 12,422,562, respectively, and outstanding restricted stock awards of 2,211,525 and 2,751,508, respectively, which were excluded from the computation of net loss per share because they are anti-dilutive.

Concentration of Credit and Other Risks

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

The Company 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, 2022, we have one vendor that accounted for 33% of our purchases individually and in aggregate. In addition, we had one vendor that accounted for 49% of accounts payable individually and in aggregate.

As of March 31, 2022, we had no customers that accounted for 10% of our accounts receivable individually and in the aggregate.

During the three months ended March 31, 2022 and 2021, we had no customers that accounted for 10% of our revenues individually and in the aggregate.

Supplemental Cash Flow Information

Supplemental disclosures of cash flow information:				
Cash paid for interest	$	-	$	34
Cash paid for income taxes	$	-	$	-
Supplemental disclosure of non-cash investing and financing activities:				
Fair value of derivative liability extinguished	$	-	$	2,286
Fair value of common shares issued to settle accrued expenses		350		207
Reclassification of Class B upon conversion to common stock		-		3,065
Discount recognized from advances on future receipts		-		1,133
Accrued software development costs		1,675		-
Discount recognized from notes payable		300		-
Derecognition of operating lease right-of-use assets		543		-
Derecognition of operating lease liabilities		521		-
Debt issuance costs in accounts payable	$	80	$	-

Recent Accounting Pronouncements

<u>Recently Adopted Accounting Pronouncements</u>

In August 2020, the FASB issued ASU No. 2020-06 (“ASU 2020-06”) “*Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging—Contracts in Entity’s Own Equity (Subtopic 815-40)*.” ASU 2020-06 reduces the number of accounting models for convertible debt instruments by eliminating the cash conversion and beneficial conversion models. As a result, a convertible debt instrument will be accounted for as a single liability measured at its amortized cost as long as no other features require bifurcation and recognition as derivatives. By removing those separation models, the effective interest rate of convertible debt instruments will be closer to the coupon interest rate. Further, the diluted net income per share calculation for convertible instruments will require the Company to use the if-converted method. ASU 2020-06 will be effective January 1, 2024, for the Company and is to be adopted through a cumulative-effect adjustment to the opening balance of retained earnings. Early adoption is permitted, but no earlier than January 1, 2021, including interim periods within that year. Effective January 1, 2022, the Company early adopted ASU 2020-06 and that adoption did not have any material impact on the Company’s financial statements and the related disclosures.

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

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

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

Recently Issued Accounting Pronouncements Not Yet Adopted

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 a small business filer, ASU 2020-06 will be effective January 1, 2024, for the Company and the provisions of this update can be adopted using either the modified retrospective method or a fully retrospective method. Management is currently assessing the impact of adopting this standard on the Company's financial statements and related disclosures.

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

3. CAPITALIZED SOFTWARE DEVELOPMENT COSTS

In 2020, the Company began developing MARKET, the next generation of interactive livestream ecommerce, and has capitalized $6,207 and $4,348 of internal and external development costs as of March 31, 2022 and December 31, 2021, respectively. In October 2021, the Company entered into a 10-year License and Services Agreement with a third party (the "Primary Contractor") engaged to develop certain components of MARKET. The Primary Contractor's fees for developing such components, including the 10-year license fee for such components, is $5,750. At March 31, 2022, the Company's remaining software development obligation to the Primary Contractor was $1,150, which was subsequently paid in April 2022. The Primary Contractor was also paid an additional $500 bonus in April 2022. In addition, as of March 31, 2022 and December 31, 2021, the Company had paid or accrued $380 and $248, respectively, of other capitalized software development costs.

There has been no depreciation expense related to capitalized software development costs for the three months ended March 31, 2022 and 2021.

Option to Acquire Primary Contractor

In August 2021, the Company entered into an agreement providing the Company the option to purchase the Primary Contractor. In November 2021, the Company exercised this option. During 2021, the Company and the Primary Contractor reached an agreement on the terms for the Company's acquisition of the Primary Contractor, which is subject to the execution of a share purchase agreement (the "SPA") and the completion of an audit of the Primary Contractor (the "Primary Contractor Audit"). The agreement stipulates that if the Company enters into the SPA and successfully completes the Primary Contractor Audit before May 15, 2022 or such other mutually agreed date and thereafter determines not to consummate the acquisition of the Primary Contractor, the Company may be liable for a $1,000 break-up fee payable to the Primary Contractor. As of the date of the issuance of these financial statements, the Primary Contractor Audit is ongoing, the SPA has not been executed, and the parties are determining a mutually agreeable date to consummate the transaction. The purchase price for the Primary Contractor is $12,000, which can be paid in cash and/or stock, subject to the parties' mutual agreement.

4. INTANGIBLE ASSETS

Intangible assets, net consisted of the following:

	March 31, 2022	December 31, 2021
Amortizable finite-lived intangible assets	$ 7,399	$ 7,317
Accumulated amortization	(4,172)	(3,806)
Finite-lived intangible assets, net	3,227	3,511
Indefinite-lived intangible assets	442	442
Intangible assets, net	$ 3,669	$ 3,953

Amortizable finite-lived intangible assets are being amortized over a period of 3 to 5 years. There were no impairment charges incurred in the periods presented. During the three months ended March 31, 2022 and 2021, the Company recorded amortization expense of $366 and $370, respectively.

The expected future amortization expense for amortizable finite-lived intangible assets as of March 31, 2022 is as follows:

Year ending	Amortization
2022 remaining	$ 1,068
2023	1,386
2024	573
2025	200
Total amortization	$ 3,227

5. OPERATING LEASES

On January 3, 2022, the Company terminated the lease agreements for our office and warehouse leases in American Fork, Utah. In accordance with ASC 842, the Company derecognized the right of use asset of $1,287, net of accumulated amortization of $744. The Company has also derecognized the corresponding lease liabilities of $521, resulting in a loss on lease termination of $22.

Effective April 26, 2022, the Company entered into an office space sub-lease agreement. See Note 14 – Subsequent Events.

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

	Three Months Ended March 31, 2022	Three Months Ended March 31, 2021
Lease cost		
Operating lease cost (included in general and administrative expenses in the Company's statement of operations)	$ 107	$ 175
Other information		
Cash paid for amounts included in the measurement of lease liabilities	$ 171	$ 196
Weighted average remaining lease term – operating leases (in years)	5.17	4.54
Weighted average discount rate – operating leases	4.0%	4.0%

	March 31, 2022	December 31, 2021
Operating leases		
Right-of-use assets	$ 1,548	$ 2,177
Short-term operating lease liabilities	$ 337	$ 592
Long-term operating lease liabilities	1,874	2,299
Total operating lease liabilities	$ 2,211	$ 2,891

Year ending	Operating Leases
2022 remaining	337
2023	460
2024	472
2025	484
2026 and thereafter	705
Total lease payments	2,458
Less: Imputed interest/present value discount	(247)
Present value of lease liabilities	$ 2,211

6. ADVANCES ON FUTURE RECEIPTS

The Company has the following advances on future receipts as of March 31, 2022 and December 31, 2021:

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at March 31, 2022	Balance at December 31, 2021
Note 1	October 29, 2021	April 28, 2022	5%	2,120	288	1,299
Note 2	October 29, 2021	July 25, 2022	28%	3,808	1,813	2,993
Note 3	December 23, 2021	June 22, 2022	5%	689	344	689
Total				$ 6,617	2,445	4,981
Debt discount					(310)	(800)
Net					$ 2,135	$ 4,181

Note 1

On October 29, 2021, the Company received secured advances from an unaffiliated third party totaling $2,015 for the purchase of future receipts/revenues of $2,120. During the three months ended March 31, 2022, the Company paid $982 and amortized $52 of the debt discount. As of March 31, 2022, the outstanding balance of the note amounted to $288 and the unamortized balance of the debt discount was $18, the note was paid in full on April 28, 2022.

Note 2

On October 29, 2021, the Company received secured advances from an unaffiliated third party totaling $2,744 for the purchase of future receipts/revenues of $3,808. During the three months ended March 31, 2022, the Company paid $1,180 and amortized $419 of the debt discount. As of March 31, 2022, the outstanding balance of the note amounted to $1,813 and the unamortized balance of the debt discount was $275.

Note 3

On December 23, 2021, the Company received secured advances from an unaffiliated third party totaling $651 for the purchase of future receipts/revenues of $689. During the three months ended March 31, 2022, the Company paid $345 and amortized $19 of the debt discount. As of March 31, 2022, the outstanding balance of the note amounted to $344 and the unamortized balance of the debt discount was $17.

7. NOTES PAYABLE

The Company has the following outstanding notes payable as of March 31, 2022 and December 31, 2021:

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at March 31, 2022	Balance at December 31, 2021
Related party note payable (A)	December 1, 2015	April 1, 2023	12.0%	$ 1,249	$ 725	$ 725
Related party note payable (B)	April 4, 2016	June 4, 2021	12.0%	343	40	40
Note payable (C)	May 15, 2020	May 15, 2050	3.75%	150	150	150
Notes payable (D)	January 12, 2022	January 12, 2023	6.0%	6,300	6,300	-
Debt discount					(226)	-
Debt issuance costs					(347)	-
Total notes payable					6,642	915
Non-current					(875)	(875)
Current					$ 5,767	$ 40

(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. On May 12, 2022, the maturity date of the note was extended to April 1, 2023. As of March 31, 2022, and December 31, 2021, the outstanding balance of the note amounted to $725, respectively.

(B) On April 4, 2016, the Company issued a convertible note payable to Mr. Cutaia, in the amount of $343, to consolidate all advances made by Mr. Cutaia to the Company during the period December 2015 through March 2016. As of March 31, 2022 and December 31, 2021, the outstanding balance of the note amounted to $40, respectively.

(C) 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. Installment payments, including principal and interest, will begin on October 15, 2022. As of March 31, 2022, and December 31, 2021, the outstanding balance of the note amounted to $150, respectively.

(D) On January 12, 2022, the Company entered into a securities purchase agreement with three institutional investors (collectively, the "Note Holders") providing for the sale and issuance of an aggregate original principal amount of $6,300 in convertible notes due 2023 (each, a "Note," and, collectively, the "Notes," and such financing, the "Note Offering"). The Company and the Note Holders also entered into a security agreement, dated January 12, 2022, in connection with the Note Offering, pursuant to which the Company granted a security interest to the Note Holders in substantially all of its assets. There are no financial covenants related to these notes payable.

The Company received $6,000 in gross proceeds from the sale of the Notes. The Note Offering closed on January 12, 2022. The Notes bear interest of 6.0% per annum, have an original issue discount of 5.0%, mature 12 months from the closing date, and have an initial conversion price of $3.00, subject to adjustment in certain circumstances as set forth in the Notes.

In connection with the debt agreement, the Company incurred $460 of debt issuance costs. The debt issuance costs and the debt discount of $300 are being amortized over the term of the agreement using the effective interest rate method. During the three months ended March 31, 2022, the Company amortized $74 of debt discount and $113 of debt issuance costs. As of March 31, 2022, the amount of unamortized debt discount and debt issuance costs was $226 and $347, respectively.

As of March 31, 2022, and December 31, 2021, the outstanding balance of the notes amounted to $6,300, and $0, respectively. Subsequent to March 31, 2022, the Company repaid $1,650 in principal payments to Note Holders pursuant to the terms of the Note Offering, thereby reducing the outstanding principal balance from $6,300 to $4,650. See Note 14 – Subsequent Events.

Beginning on May 12, 2022, the Company is required to make nine monthly principal payments of $246, plus accrued interest, to the Note Holders, with the remaining principal amount of $2,436, plus accrued interest, due on the maturity date.

The following table provides a breakdown of interest expense:

	Three Months Ended March 31,	
	2022	2021
Interest expense – amortization of debt discount	$ (536)	$ (475)
Interest expense – amortization of debt issuance costs	(113)	-
Interest expense – other	(107)	(33)
Total interest expense	$ (756)	$ (508)

Total interest expense for notes payable to related parties (see Notes A and B above) was $23 and $32 for the three months ended March 31, 2022 and 2021, respectively. The Company paid $0 and $34 in interest for the three months ended March 31, 2022 and 2021, respectively.

8. DERIVATIVE LIABILITY

Under authoritative guidance used by the FASB on determining whether an instrument (or embedded feature) is indexed to an entity's own stock, instruments that do not have fixed settlement provisions are deemed to be derivative instruments. In prior years, the Company granted certain warrants that included a fundamental transaction provision that could give rise to an obligation to pay cash to the warrant holder. As a result, the fundamental transaction clause of these warrants are accounted for as a derivative liability in accordance with ASC 815 and are being re-measured every reporting period with the change in value reported in the statement of operations.

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

	March 31, 2022		December 31, 2021	
Stock Price	$	0.95	$	1.24
Exercise Price	$	1.11	$	1.11
Expected Life		2.72		2.97
Volatility		104%		119%
Dividend Yield		0%		0%
Risk-Free Interest Rate		2.45%		0.97%
Total Fair Value	$	2,017	$	3,155

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

As of December 31, 2021, the outstanding fair value of the derivative liability amounted to $3,155. During the three months ended March 31, 2022, the Company recorded income of $1,138 to account for the changes in the fair value of these derivative liabilities during the period. At March 31, 2022, the fair value of the derivative liability amounted to $2,017.

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

The details of derivative liability transactions for the three months ended March 31, 2022 and 2021 are as follows:

	Three Months Ended March 31,			
	2022		2021	
Beginning balance	$	3,155	$	8,266
Change in fair value		(1,138)		(500)
Extinguishment		-		(2,286)
Ending balance	$	2,017	$	5,480

9. COMMON STOCK

The Company's common stock activity for the three months ended March 31, 2022 is as follows:

Common Stock

Issuances of Common Stock

During the three months ended March 31, 2022, the Company issued 7,396,683 shares of common stock as part of the common stock purchase agreement in exchange for cash of $7,435, net of offering costs of $155. In addition, the Company issued 607,287 shares of common stock as a commitment fee to consummate the common stock purchase agreement.

During the three months ended March 31, 2022, the Company issued 372,446 shares of common stock to certain employees and vendors for services rendered and to be rendered with an aggregate fair value of $510. These shares of common stock were valued based on the market value of the Company's common stock price at the issuance date or the date the Company entered into the agreement related to the issuance.

During the three months ended March 31, 2022, the Company issued 227,136 shares of common stock to the former Chief Financial Officer as part of a separation agreement, with an aggregate fair value of $277. These shares of common stock were valued based on the market value of the Company's common stock price at the issuance date.

During the three months ended March 31, 2022, the Company issued 457,046 shares of common stock to officers and board members associated with the vesting of a Restricted Stock Unit.

Exercise of Options

During the three months ended March 31, 2022, a total of 332,730 options were exercised into 332,730 shares of common stock at a weighted average exercise price of $1.13. The Company received cash of $377 upon exercise of the options.

Issuances of Restricted Stock Units

During the three months ended March 31, 2022, the Company granted an additional 1,334,270 shares of its restricted stock to employees and members of Board of Directors. The Restricted Stock Units vest in various dates, starting on January 20, 2023 up to March 30, 2026. 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 $1,561, which is being amortized as stock compensation expense over its vesting term.

Issuances of Stock Options

During the three months ended March 31, 2022, the Company granted stock options to employees and consultants to purchase a total of 1,983,555 stock options for services to be rendered. The options have an average exercise price of $1.25 per share, expire in five years, and vest between one and four years from grant date. The total fair value of these options at the grant date was $2,241 using the Black-Scholes option pricing model.

10. RESTRICTED STOCK UNITS

A summary of restricted stock unit activity for the three months ended March 31, 2022 is presented below.

	Shares	Weighted-Average Grant Date Fair Value
Non-vested at January 1, 2022	1,821,833	$ 1.41
Granted	1,334,270	1.17
Vested/deemed vested	(457,046)	1.67
Forfeited	(487,532)	1.33
Non-vested at March 31, 2022	2,211,525	$ 1.23

During the three months ended March 31, 2022, the Company granted 1,334,270 restricted stock units to officers, directors, and employees that vest over four years. These restricted stock units were valued based on market value of the Company's stock price at the date of grants and had an aggregate fair value of $1,561.

The total fair value of restricted stock units that vested or deemed vested during the three months ended March 31, 2022 was $247. As of March 31, 2022 the amount of unvested compensation related to issuances of restricted stock units was $2,359 which will be recognized as an expense in future periods as the shares vest. When calculating basic net loss per share, these shares are included in weighted average common shares outstanding from the time they vest. When calculating diluted net loss per share, these shares are included in weighted average common shares outstanding as of their grant date.

11. STOCK OPTIONS

A summary of option activity for the three months ended March 31, 2022 is presented below.

	Options		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)		Aggregate Intrinsic Value
Outstanding at January 1, 2022	5,404,223	$	1.72	2.24	$	107
Granted	1,983,555		1.25	-		-
Forfeited	(1,177,405)		1.54	-		-
Exercised	(332,730)		1.13	-		-
Outstanding at March 31, 2022	5,877,643	$	1.64	2.29		$
Vested March 31, 2022	2,993,429	$	1.86		$	-
Exercisable at March 31, 2022	1,982,249	$	2.08		$	-

At March 31, 2022, the intrinsic value of the outstanding options was $0.

During the three months ended March 31, 2022, the Company granted stock options to employees and consultants to purchase a total of 1,983,555 shares of common stock for services rendered. The options have an average exercise price of $1.25 per share, expire between one and five years, vesting from zero and four years from grant date. The total fair value of these options at grant date was approximately $2,241 using the Black-Scholes Option Pricing model. The total stock compensation expense recognized relating to the vesting of stock options for the three months ended March 31, 2022 amounted to $531. As of March 31, 2022, the total unrecognized share-based compensation expense was $4,276, which is expected to be recognized as part of operating expense through March 2026.

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.

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,	
	2022	2021
Risk-free interest rate	1.24% - 2.10%	0.10% - 0.36%
Average expected term	5 years	5 years
Expected volatility	149.53%	240.03%
Expected dividend yield	-	-

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

12. STOCK WARRANTS

The Company has the following warrants outstanding as of March 31, 2022, all of which are exercisable:

	Warrants	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2022	10,984,740	$ 2.67	2.38	$ 507
Granted	-	-	-	-
Forfeited	-	-	-	-
Exercised	-	-	-	-
Outstanding at March 31, 2022, all vested	10,984,740	$ 2.67	2.14	$ -

At March 31, 2022 the intrinsic value of the outstanding warrants was $0.

13. COMMITMENTS AND CONTINGENCIES

Litigation

a. Former Employee

The Company is currently in a dispute with a former employee of its predecessor bBooth, Inc. who has interposed a breach of contract claim in which he alleges that he is entitled to approximately $300 in unpaid bonus compensation from 2015. This former employee filed his complaint in the Superior Court of California for the County of Los Angeles on November 20, 2019, styled *Meyerson v. Verb Technology Company, Inc., et al*. (Case No. 19STCV41816). The Company does not believe 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. On October 13, 2021, the court issued an order (i) denying the former employee's motion for summary judgment, (ii) partly granting the former employee's motion for summary adjudication, and (iii) partly denying the former employee's motion for summary adjudication. The court has set a trial date of June 27, 2022. The Company believes that the resolution of this matter will have no material effect on the Company or its operations.

b. Legal Malpractice Action

The Company is currently in a dispute with Baker Hostetler LLP ("BH") relating to corporate legal services provided by BH to the Company. The Company filed its complaint in the Superior Court of California for the County of Los Angeles on May 17, 2021, styled *Verb Technology Company, Inc. v. Baker Hostetler LLP, et al.* (Case No. 21STCV18387). The Company's complaint arises from BH's alleged legal malpractice, breach of fiduciary duties owed to the Company, breach of contract, and violations of California's Business and Professions Code Section 17200 et seq. The Company is seeking, amongst other things, compensatory damages from BH. On October 5, 2021, BH filed a cross-complaint against the Company alleging, amongst other things, that the Company owes it approximately $915 in legal fees. The Company disputes owing this amount to BH. The Company believes that the resolution of these matters will have no material effect on the Company or its operations.

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 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 three months ended March 31, 2022 was $119. As of March 31, 2022, total board fees to be recognized in future period amounted to $356 and will be recognized once the service has been rendered.

14. SUBSEQUENT EVENTS

The Company has evaluated subsequent events through May 16, 2022, the date these financial statements are available to be issued. The Company believes there were no material events or transactions discovered during this evaluation that requires recognition or disclosure in the financial statements other than the items discussed below.

Equity Financing and Repayment of Notes

On April 20, 2022, the Company entered into a securities purchase agreement (the “Purchase Agreement”), which provides for the sale and issuance by the Company of an aggregate of (i) 14,666,667 shares of the Company’s common stock, $0.0001 par value per share, at a purchase price of $0.75 per share, and (ii) warrants to purchase 14,666,667 shares of the common stock at an exercise price of $0.75 per share, for aggregate gross proceeds of $11,000 before deducting placement agent commissions and other estimated offering expenses (the “Registered Direct Offering”). The Purchase Agreement contains customary representations, warranties and agreements by the Company, customary conditions to closing, and customary indemnification obligations of the Company. The Purchase Agreement amongst other things restricts us from selling shares using at the market (“ATM”) agreement with Truist Securities and the Common Stock Purchase Agreement. As a result of this transaction, certain of our Series A warrants priced at $1.10 per share were repriced to $0.75 per share under the terms of such warrant agreements. The fair value of such warrants at this new exercise price is approximately $500 and the Company will account for this change as a deemed dividend. In addition, as a result of entering into the Purchase Agreement, the Company repaid $1,650 in principal payments to Note Holders pursuant to the terms of the Note Offering, thereby reducing the outstanding principal balance from $6,300 to $4,650.

On April 20, 2022, the Company also entered into a placement agency agreement with A.G.P./Alliance Global Partners. Pursuant to the terms of the Placement Agency Agreement, the Placement Agent agreed to use its reasonable best efforts to arrange for the sale of the Securities in the Registered Direct Offering. The Company paid the Placement Agent a cash fee equal to 6.0% of the aggregate gross proceeds from the sale of the Securities.

Issuance of Common Stock

Subsequent to March 31, 2022, the Company issued 656,996 shares of common stock to vendors for services rendered with a fair value of $486. 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.

Issuances of Stock Options

Subsequent to March 31, 2022, the Company granted stock options to employees to purchase a total of 419,000 stock options for services to be rendered. The options have an average exercise price of $0.67 per share, expire in five years, and vest four years from grant date. The total fair value of these options at the grant date was $224 using the Black-Scholes option pricing model.

Execution of Lease Agreement

Subsequent to March 31, 2022, the Company entered into a corporate office sub-lease agreement for its office in Utah. The agreement requires us to pay $12 per month for an initial term of eighteen months, which increases by 3% per annum after twelve months.

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, 2022 and 2021 should be read in conjunction with the financial statements and related notes and the other financial information that are included elsewhere this Quarterly Report on Form 10-Q. This discussion includes forward-looking statements based upon current expectations that involve risks and uncertainties, such as our plans, objectives, expectations, and intentions. Forward-looking statements are statements not based on historical fact and which relate to future operations, strategies, financial results, or other developments. Forward-looking statements are based upon estimates, forecasts, and assumptions that are inherently subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control and many of which, with respect to business decisions, are subject to change. These uncertainties and contingencies can cause actual results to differ materially from those expressed in any forward-looking statements made by us, or on our behalf. We disclaim any obligation to update forward-looking statements. Actual results and the timing of events could differ materially from those anticipated in these forward-looking statements as a result of a number of factors. We use words such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could," and similar expressions to identify forward-looking statements.

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

Overview

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 ("CRM") application, verbLEARN, our Learning Management System application, verbLIVE, our Live Stream eCommerce application, verbPULSE, our business/augmented intelligence notification and sales coach application, and verbTEAMS, our self-onboarding video-based CRM and content management application for professional sports teams, small business and solopreneurs, with seamless synchronization with Salesforce, that also comes bundled with verbLIVE, and more recently, we introduced verbMAIL, our interactive video-based sales communication tool integrated into Microsoft Outlook. Of note is our forthcoming MARKET, a multi-vendor, multi-presenter, livestream social shopping platform at the forefront of the convergence of ecommerce and entertainment.

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 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.

verbPULSE is a business/augmented intelligence notification-based sales enablement platform feature set that tracks users' interactions with current and prospective customers and then helps coach users by telling them what to do next in order to close the sale, virtually automating the selling process.

verbTEAMS is our interactive, video-based CRM for professional sports teams, small-and medium-sized businesses and solopreneurs. verbTEAMS also incorporates verbLIVE as a bundled application. verbTEAMS features 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.

We continue to invest in the future of interactive livestreaming. Following are some of our recent initiatives:

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

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

A big differentiator for MARKET is that it also provides an online meeting place for friends and family to meet, chat, shop and enjoy a fun, immersive shopping experience in real time together from anywhere and everywhere in the world. MARKET will provide vendors with extensive business building analytics capabilities not available on, and not shared by many operators of other social media sites who regard that information as valuable proprietary property. All vendors on MARKET will retain this valuable intelligence for their own, unlimited use.

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

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

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

MARKET will also incorporate a modified version of our verbLIVE Attribution technology, allowing vendors who so choose, to leverage extremely powerful, built-in affiliate marketing capabilities. Non-vendor visitors to the site can search for those vendors that have activated the Attribution feature for their events and be compensated when people they referred to that vendor, purchase products or services during that vendor's shopping event. We expect that this feature, unique to MARKET, will drive many more shoppers who will be referred from all over the world, producing a cross-pollination effect enhancing the revenue opportunities for all MARKET vendors, while also creating an attractive income generating opportunity for non-vendor MARKET patrons.

MARKET is an entirely new platform, built wholly independently and separate from our verbLIVE sales platform, representing what we believe is the state of the art of shoppable video technology. It will utilize an ultra-low latency private global CDN network that we control, allowing us to deliver a high-quality experience and platform performance capabilities. We also believe that MARKET will expose vendors to our entire suite of sales enablement products, such as verbMAIL, among others, that could drive new cross selling revenue opportunities.

verbTV is an online destination for shoppable entertainment. Whereas MARKET is a social shopping experience, verbTV is a destination for those seeking commercial-free television content, such as concerts, game shows, sports, including e-sports, sitcoms, podcasts, special events, news, including live events, and other forms of video entertainment that is all interactive and shoppable. verbTV represents an entirely new distribution channel for all forms of content by a new generation of content creators looking for greater freedom to explore the creative possibilities that a native interactive video platform can provide for their audience. We believe content creators may also enjoy greater revenue opportunities through the native ecommerce capabilities the platform provides to sponsors and advertisers who will enjoy real-time monetization, data collection and analytics. Through verbTV, sponsors and advertisers will be able to accurately measure the ROI from their marketing spend, instead of relying on decades-old, imprecise viewership information.

At launch, verbTV will feature interactive, shoppable programming, including the popular business pitch show "2 Minute Drill," the non-shoppable version of which is currently shown on AppleTV. Each episode is a fast-paced reality show where 5-6 entrepreneurs competing for $50,000 in cash and prizes, have 2 minutes to impress the judges with the best investor pitch. Our CEO is one of the judges on the show. verbTV viewers will be able to click on-screen and purchase the products and services of the contestants featured on the show, among other contemplated interactive features. Dave Meltzer, the creator of the show, and Co-founder of Sports 1 Marketing and the former CEO of the renowned Leigh Steinberg Sports & Entertainment agency, has signed-on with Verb to produce other interactive and shoppable entertainment for verbTV. Other such partnerships, as well as a creator program, are currently in progress.

Verb Partnerships and Integrations

verbMAIL for Microsoft Outlook is a product of our partnership with Microsoft and is available as an add-in to Microsoft Outlook for Outlook and Office 365 subscribers. verbMAIL allows users to create interactive videos seamlessly within Outlook by clicking the verbMAIL icon in the Outlook toolbar. The videos are automatically added to an email and can be sent easily through Outlook using the user's contacts they already have in Outlook. The application allows users to easily track viewer engagement and together with other features represents an effective sales tool available for all Outlook users worldwide.

Salesforce Integration. 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.

Popular Enterprise Back-Office System Integrations. We have integrated verbCRM into systems offered by 19 of the most popular direct sales back-office system providers, such as Direct Scale, Exigo, By Design, Thatcher, Multisoft, Xennsoft, 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 confirms 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.

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.

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 service fee 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.

Our Market

Historically, our client base consisted primarily of multi-national direct sales enterprises to whom we provide white-labeled, client-branded versions of our products. During the year ended December 31, 2021, our client base expanded to include large enterprises in the life sciences sector, professional sports franchises, educational institutions, and not-for-profit organizations, as well as clients in the entertainment industry, and the burgeoning CBD industry, among other business sectors. As of March 31, 2022, we provided subscription-based application services to approximately 150 enterprise clients for use in over 100 countries, in over 48 languages, which collectively account for a user base generated through more than 3.3 million downloads of our verbCRM application. Among the new business sectors targeted for this year are medical equipment and pharmaceutical sales, armed services and government institutions, small businesses and individual entrepreneurs.

Revenue Generation

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, verbPULSE, 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 design, printing services, fulfillment and shipping services. The revenue is recognized upon completion and shipment of products or fulfillment to customers.

3. MARKET will generate revenue through several sources as follows:

    a. All sales run through our ecommerce facility on MARKET from which we deduct a platform fee that ranges from 10% to 35% of gross sales, with an average of between 15-20%, depending upon the pricing package the vendors select as well as the product category and profit margins associated with such categories. The revenue is derived from sales generated during livestream events, from viewers of previously recorded events available in each vendor's store, as well as from sales of product and merchandise done through the vendors' stores, all of which are available 24/7.

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

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

Impact of COVID-19 on Our Business and Industry

Governments and businesses around the world continue to take actions to mitigate the spread of COVID-19 and its variants, including, but not limited to, shelter-in-place orders, quarantines, significant restrictions on travel, as well as restrictions that prohibit many employees from going to work. Uncertainty with respect to the economic effects of the pandemic has introduced significant volatility in the financial markets.

Despite increased vaccine distribution programs and loosening of COVID-19 related restrictions in the regions in which we operate during the three months ended March 31, 2022, both the pandemic and ongoing 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. As such, our business, operations and financial condition has been, and we anticipate will continue to be, adversely impacted by reduced demand for our applications and non-digital services, as well as reduced access to capital. To mitigate the adverse impact COVID-19 may have on our business and operations, we implemented a number of measures to strengthen our financial position, including eliminating, reducing, or deferring non-essential expenditures. However, 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, including the duration and extent of the pandemic, the emergence of variants to COVID-19 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. Throughout the three months ended March 31, 2022, 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.

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.

Results of Operations

Three Months Ended March 31, 2022 as Compared to the Three Months Ended March 31, 2021

The following is a comparison of our results of operations for the three months ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31,		
	2022	**2021**	**Change**
Revenue			
Digital revenue			
SaaS recurring subscription revenue	$ 2,003	$ 1,461	$ 542
Other digital revenue	147	340	(193)
Total digital revenue	2,150	1,801	349
Non-digital revenue	541	725	(184)
Total revenue	2,691	2,526	165
Cost of revenue			
Digital	557	540	17
Non-digital	416	675	(259)
Total cost of revenue	973	1,215	(242)
Gross margin	**1,718**	**1,311**	**407**
Operating expenses			
Research and development	1,580	2,884	(1,304)
Depreciation and amortization	409	414	(5)
General and administrative	7,036	7,343	(307)
Total operating expenses	9,025	10,641	(1,616)
Loss from operations	(7,307)	(9,330)	2,023
Other income (expense)			
Interest expense	(756)	(508)	(248)
Change in fair value of derivative liability	1,138	500	638
Other income (expense)	(64)	54	(118)
Debt extinguishment, net	-	939	(939)
Total other income, net	318	985	(667)
Net loss	**$ (6,989)**	**$ (8,345)**	**$ 1,356**

Revenue

Our SaaS recurring subscription revenues continue to grow year over year, which is a reflection of our systematic investment in our business. SaaS recurring subscription revenue as a percentage of total revenue for the three months ended March 31, 2022 was 74%, compared to 58% for the three months ended March 31, 2021.

For the three months ended March 31, 2022, our total digital revenue was 80% of total revenue compared with 71% for the three months ended March 31, 2021. Total digital revenue for the three months ended March 31, 2022 was $2.2 million, an increase of 19% compared to $1.8 million for the three months ended March 31, 2021. The increase was primarily driven from SaaS recurring subscription-based revenue associated with our verbCRM, verbLEARN, verbTEAMS, verbLIVE, and verbPULSE applications totaling $2.0 million, an increase of 37% compared to $1.5 million reported for the three months ended March 31, 2021.

Total non-digital revenue for the three months ended March 31, 2022 was $0.5 million, a decrease of 25% compared to $0.7 million reported for the three months ended March 31, 2021, 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 three months ended March 31, 2020 through the three months ended March 31, 2022, which reflects the trend of revenue over the past nine fiscal quarters (in thousands):

	2020 Quarterly Revenue				2021 Quarterly Revenue				2022
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
SaaS recurring subscription revenue	$ 1,057	$ 1,274	$ 1,478	$ 1,305	$ 1,461	$ 1,601	$ 1,846	$ 1,923	$ 2,003
Other digital	400	406	360	218	340	209	510	288	147
Total digital revenue	**1,457**	**1,680**	**1,838**	**1,523**	**1,801**	**1,810**	**2,356**	**2,211**	**2,150**
Total non-digital revenue	**897**	**972**	**1,022**	**576**	**725**	**582**	**544**	**495**	**541**
Grand total	**$ 2,354**	**$ 2,652**	**$ 2,860**	**$ 2,099**	**$ 2,526**	**$ 2,392**	**$ 2,900**	**$ 2,706**	**$ 2,691**

Cost of Revenue

Total cost of revenue for the three months ended March 31, 2022 was $1.0 million, compared to $1.2 million for the three months ended March 31, 2021. The decrease in cost of revenue is primarily attributed to a decrease in non-digital costs partially offset by increased digital costs to support additional enterprise customers on the platform and increased users within our existing customer base.

Gross Margin

Total gross margin for the three months ended March 31, 2022, was $1.7 million, compared to $1.3 million for the three months ended March 31, 2021, representing a 31% improvement. Gross margins improved as a result of our strategy to focus on higher margin digital revenue and systematic reduction in non-digital revenue.

Operating Expenses

Research and development expenses were $1.6 million for the three months ended March 31, 2022, as compared to $2.9 million for the three months ended March 31, 2021. Research and development expenses primarily consisted of fees paid to employees and vendors contracted to perform research projects and develop technology. As our products move from research and development mode to operating mode, we expect our research and development cost reductions to continue, as experienced during the three months ended March 31, 2022.

Depreciation and amortization expenses were $0.4 million for the quarters ended March 31, 2022, and March 31, 2021.

General and administrative expenses for the three months ended March 31, 2022 were $7.0 million, as compared to $7.3 million for the three months ended March 31, 2021. The decrease in general and administrative expenses is primarily due to lower spending on marketing and promotion of $(0.4) million along with a decrease in share-based compensation of $(1.1) million, both partially offset by an increase in labor costs of $0.9 million to support future growth with anticipated product launches.

Other income, net, for the three months ended March 31, 2022 was $0.3 million, which was primarily attributable to a change in the fair value of derivative liability of $1.1 million, offset by interest expense of $(0.8) million.

Use of Non-GAAP Measures – Modified EBITDA

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

	Three Months Ended March 31,	
(in thousands)	2022	2021
Net loss	$ (6,989)	$ (8,345)
Adjustments		
Depreciation and amortization	409	414
Share-based compensation	1,301	2,402
Interest expense	756	508
Change in fair value of derivative liability	(1,138)	(500)
Other (income) / expense	64	(54)
Debt extinguishment, net	-	(939)
Other non-recurring	126	-
Total EBITDA adjustments	1,518	1,831
Modified EBITDA	**$ (5,471)**	**$ (6,514)**

The $1.0 million increase in Modified EBITDA for the three months ended March 31, 2022, compared to the same period in 2021, resulted from increased revenues, decreases in cost of revenue, research and development, and marketing and promotion, offset by an increase in labor related costs to support future growth.

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 $7.0 million during the three months ended March 31, 2022. We also utilized cash in operations of $5.9 million during the three months ended March 31, 2022. 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.

On January 12, 2022, we entered into a common stock purchase agreement with Tumim Stone Capital LLC. Pursuant to the agreement, the Company has the right, but not the obligation, to sell to the Investor, and the Investor is obligated to purchase, up to $50.0 million of newly issued shares of our common stock, par value $0.0001 per share from time to time during the term of the agreement, subject to certain limitations and conditions. The Total Commitment is inclusive of 607,287 shares of common stock issued to the Investor as consideration for its commitment to purchase shares of common stock under the Common Stock Purchase Agreement.

On January 12, 2022, we also entered into a securities purchase agreement with three institutional investors providing for the sale and issuance of an aggregate original principal amount of $6.3 million in convertible notes due 2023. We also entered into a security agreement with the Note Holders, dated January 12, 2022, in connection with the Note Offering, pursuant to which we granted a security interest to the Note Holders in substantially all of its assets.

On April 20, 2022, the Company entered into a securities purchase agreement (the "Purchase Agreement"), which provides for the sale and issuance by the Company of an aggregate of (i) 14,666,667 shares of the Company's common stock, $0.0001 par value per share, at a purchase price of $0.75 per share, and (ii) warrants to purchase 14,666,667 shares of the common stock at an exercise price of $0.75 per share, for aggregate gross proceeds of $11,000 before deducting placement agent commissions and other estimated offering expenses (the "Registered Direct Offering"). The Purchase Agreement contains customary representations, warranties and agreements by the Company, customary conditions to closing, and customary indemnification obligations of the Company. The Purchase Agreement amongst other things restricts us from selling shares using at the market ("ATM") agreement with Truist Securities and the Common Stock Purchase Agreement. As a result of this transaction, certain of our Series A warrants priced at $1.10 per share were repriced to $0.75 per share under the terms of such warrant agreements. The fair value of such warrants at this new exercise price is approximately $0.5 million and the Company will account for this change as a deemed dividend. In addition, as a result of entering into the Purchase Agreement, we have repaid $1.65 million in principal payments to Note Holders pursuant to the terms of the Note Offering, thereby reducing our outstanding principal balance from $6.3 million to $4.65 million.

On April 20, 2022, we also entered into a placement agency agreement (the "Placement Agency Agreement") with A.G.P./Alliance Global Partners (the "Placement Agent"). Pursuant to the terms of the Placement Agency Agreement, the Placement Agent agreed to use its reasonable best efforts to arrange for the sale of the Securities in the Registered Direct Offering. We will pay the Placement Agent a cash fee equal to 6.0% of the aggregate gross proceeds from the sale of the Securities, subject to certain exceptions described in the Placement Agency Agreement, and will reimburse the Placement Agent for certain expenses. The Placement Agency Agreement contains customary representations, warranties and agreements by us, customary representations and warranties of the Placement Agent, customary conditions to closing, and customary indemnification obligations of the Company.

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, 2021 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, 2022, we had cash of $3.7 million. We estimate our operating expenses for the next twelve months may continue to exceed any revenue we generate, and we may need to raise capital through either debt or equity offerings to continue operations. Due to market conditions and the early stage of our operations, there is considerable risk that we will not be able to raise such financings at all, or on terms that are not dilutive to our existing stockholders. We can offer no assurance that we will be able to raise such funds. If we are unable to raise the funds we require for all of our planned operations, we may be forced to reallocate funds from other planned uses and may suffer a significant negative effect on our business plan and operations, including our ability to develop new products and continue our current operations. As a result, our business may suffer, and we may be forced to reduce or discontinue operations.

The following is a summary of our cash flows from operating, investing, and financing activities for the quarters ended March 31, 2022 and 2021 (in thousands):

	Three Months Ended March 31,	
	2022	**2021**
Cash used in operating activities	$ (5,899)	$ (6,923)
Cash (used in) / provided by investing activities	(2,363)	5
Cash provided by financing activities	11,043	18,049
Increase in cash	$ 2,781	$ 11,131

Cash Flows – Operating

For the three months ended March 31, 2022, our cash flows used in operating activities amounted to $5.9 million, compared to cash used for the three months ended March 31, 2021 of $6.9 million. We generated $1.0 million additional cash from operations due to higher revenues, decreases in research and development expenses, marketing and promotion, which was offset by an increase in labor related costs to support future growth.

Cash Flows – Investing

For the three months ended March 31, 2022, our cash flows used in investing activities amounted to $2.4 million, primarily due to our investment in capitalized software development costs related to MARKET.

Cash Flows – Financing

Our cash provided by financing activities for the three months ended March 31, 2022 amounted to $11.0 million, which represented $7.5 million of net proceeds from the issuance of shares of our common stock, $6.0 million of gross proceeds from the issuance of notes payable, and proceeds from option exercises of $0.4 million, all offset by $(2.5) million of payments on advances on future receipts and payments for debt issuance costs of $(0.4) million.

Advances on Future Receipts

We have the following advances on future receipts as of March 31, 2022 (in thousands):

Note	Issuance Date	Maturity Date	Interest Rate	Original Borrowing	Balance at March 31, 2022
Note 1	October 29, 2021	April 28, 2022	5%	2,120	288
Note 2	October 29, 2021	July 25, 2022	28%	3,808	1,813
Note 3	December 23, 2021	June 22, 2022	5%	689	344
Total				$ 6,617	2,445
Debt discount					(310)
Net					$ 2,135

Note 1

On October 29, 2021, we received secured advances from an unaffiliated third party totaling $2.0 million for the purchase of future receipts/revenues of $2.1 million. As of March 31, 2022, the outstanding balance of the note amounted to $0.3 million, which we paid in full on April 28, 2022.

Note 2

On October 29, 2021, we received secured advances from an unaffiliated third party totaling $2.7 million for the purchase of future receipts/revenues of $3.8 million. As of March 31, 2022, the outstanding balance of the note amounted to $1.8 million.

Note 3

On December 23, 2021, we received secured advances from an unaffiliated third party totaling $0.7 million for the purchase of future receipts/revenues of $0.7 million. As of March 31, 2022, the outstanding balance of the note amounted to $0.3 million.

Notes Payable

We have the following outstanding notes payable as of March 31, 2022 (in thousands):

Note	**Issuance Date**	**Maturity Date**	**Interest Rate**	**Original Borrowing**	**Balance at March 31, 2022**
Related party note payable (A)	December 1, 2015	April 1, 2023	12.0%	1,249	$ 725
Related party note payable (B)	April 4, 2016	June 4, 2021	12.0%	343	40
Note payable (C)	May 15, 2020	May 15, 2050	3.75%	150	150
Notes payable (D)	January 12, 2022	January 12, 2023	6.0%	6,300	6,300
Debt discount					(226)
Debt issuance costs					(347)
Total notes payable					6,642
Non-current					(875)
Current					$ 5,767

(A) On December 1, 2015, we issued a convertible note payable to Mr. Rory J. Cutaia, the Company's majority stockholder and Chief Executive Officer, to consolidate all loans and advances made by Mr. Cutaia to us as of that date. On May 12, 2022, the maturity date of the note was extended to April 1, 2023. As of March 31, 2022, the outstanding balance of the note amounted to $0.7 million.

(B) On April 4, 2016, we issued a convertible note to Mr. Cutaia, in the amount of $0.3 million, to consolidate all advances made by Mr. Cutaia to us during the period December 2015 through March 2016. As of March 31, 2022, the outstanding balance of the note amounted to less than $0.1 million.

(C) On May 15, 2020, we executed an unsecured loan with the U.S. Small Business Administration (SBA) under the Economic Injury Disaster Loan program in the amount of $0.15 million. Installment payments, including principal and interest, will begin on October 15, 2022. As of March 31, 2022, the outstanding balance of the note amounted to $0.15 million.

(D) On January 12, 2022, we entered into a securities purchase agreement with three institutional investors (collectively, the "Note Holders") providing for the sale and issuance of an aggregate original principal amount of $6.3 million in convertible notes due 2023 (each, a "Note," and, collectively, the "Notes," and such financing, the "Note Offering"). We also entered into a security agreement with the Note Holders dated January 12, 2022, in connection with the Note Offering, pursuant to which the Company granted a security interest to the Note Holders in substantially all of its assets. There are no financial covenants related to these notes payable.

We received $6.0 million in gross proceeds from the sale of the Notes. The Note Offering closed on January 12, 2022. The Notes bear interest of 6.0% per annum, have an original issue discount of 5.0%, mature 12 months from the closing date, and have an initial conversion price of $3.00, subject to adjustment in certain circumstances as set forth in the Notes.

In connection with the debt agreement, we incurred $0.5 million of debt issuance costs. The debt issuance costs and the debt discount of $0.3 million are being amortized over the term of the agreement using the effective interest rate method. As of March 31, 2022, the amount of unamortized debt discount and debt issuance costs was $0.2 million and $0.3 million, respectively.

As of March 31, 2022, the outstanding balance of the note amounted to $6.3 million. Subsequent to March 31, 2022, we repaid $1.65 million in principal and $0.1 million of accrued interest. As a result of the repayment, the outstanding principal balance was $4.65 million as of the date of the issuance of the financial statements.

Beginning on May 12, 2022, we are required to make nine monthly principal payments of $0.2 million, plus accrued interest, to the Note Holders, with the remaining principal amount of $2.4 million, plus accrued interest, due on the maturity date.

Critical Accounting Policies

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

Use of Estimates

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

Revenue Recognition

The Company derives its revenue primarily from providing application services through the SaaS application, digital marketing and sales support services. The Company also derives revenue from the sale of customized print products and training materials, branded apparel, and digital tools, as demanded by its customers.

The Company recognizes revenue in accordance with Financial Accounting Standard Board's ("FASB") ASC 606, *Revenue from Contracts with Customers* ("ASC 606"). ASC 606 creates a five-step model that requires entities to exercise judgment when considering the terms of contract(s), which includes (1) identifying the contract(s) or agreement(s) with a customer, (2) identifying our performance obligations in the contract or agreement, (3) determining the transaction price, (4) allocating the transaction price to the separate performance obligations, and (5) recognizing revenue as each performance obligation is satisfied.

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

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, verbTEAMS, and verbPULSE. The revenue is recognized straight-line 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, includes design, printing services, fulfillment and shipping services. The revenue is recognized upon completion and shipment of products or fulfillment to the customer.

Derivative Financial Instruments

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

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

Share-Based Compensation

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

Goodwill

In accordance with FASB ASC 350, *Intangibles-Goodwill and Other*, we review goodwill and indefinite lived intangible assets for impairment at least annually or whenever events or circumstances indicate a potential impairment. Our impairment testing is performed annually at December 31 (our fiscal year end). Impairment of goodwill and indefinite lived intangible assets is determined by comparing the fair value of our reporting units to the carrying value of the underlying net assets in the reporting units. If the fair value of a reporting unit is determined to be less than the carrying value of its net assets, goodwill is deemed impaired and an impairment loss is recognized to the extent that the carrying value of goodwill exceeds the difference between the fair value of the reporting unit and the fair value of its other assets and liabilities.

Intangible Assets

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

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

Recently Issued Accounting Pronouncements

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

Off-Balance Sheet Arrangements

As of March 31, 2022, we did not have any off-balance sheet arrangements.

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4 - CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

We carried out an evaluation under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, of the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d- 15(e) under the Exchange Act) as of December 31, 2021. 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, 2022.

Changes in Internal Control Over Financial Reporting

There were no additional changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the three months ended March 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Inherent Limitations on the Effectiveness of Controls

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

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

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

Our business, results of operations, and financial condition are subject to various risks. These risks are described elsewhere in this Quarterly Report on Form 10-Q and our other filings with the SEC, including the 2021 Form 10-K filed on March 31, 2022. The risk factors identified in our 2021 Form 10-K have not changed in any material respect.

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

None.

ITEM 3 - DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5 - OTHER INFORMATION

Nasdaq Minimum Bid Requirement Deficiency Letter

On May 12, 2022 we received a deficiency letter (the "Nasdaq Letter") from the Nasdaq Listing Qualifications Department, notifying us that we are not in compliance with Nasdaq Listing Rule 5550(a)(2), which requires the Company to maintain a minimum bid price of at least $1 per share for continued listing on The Nasdaq Capital Market (the "Minimum Bid Requirement"). Our non-compliance with the Minimum Bid Requirement was based on our common stock price per share being below the Minimum Bid Requirement for a period of 30 consecutive business days. Pursuant to the Nasdaq Letter, we have 180 calendar days from the date of the Nasdaq Letter to regain compliance, which will expire November 8, 2022. If we are unable to regain compliance by November 8, 2022, we may be eligible for an additional 180 calendar day compliance period to demonstrate compliance with the Minimum Bid Requirement. To qualify, we will be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market ("Nasdaq"), with the exception of the Minimum Bid Requirement, and will need to provide written notice to Nasdaq of our intention to cure the deficiency during the second compliance period. If we do not qualify for the second compliance period or we are unable to regain compliance during the second 180 calendar day period, Nasdaq may notify us of its determination to delist our common stock, at which point we would have an opportunity to appeal the delisting determination to a Hearings Panel. We intend to actively monitor the closing bid price of our common stock and will evaluate available options to regain compliance with the Minimum Bid Requirement.

Neither the Nasdaq Letter nor our noncompliance with the Minimum Bid Requirement have an immediate effect on the listing or trading of our common stock, which will continue to trade on The Nasdaq Capital Market under the symbol "VERB."

ITEM 6 - EXHIBITS

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

INDEX TO EXHIBITS

Exhibit Number	Description
4.1	Form of Common Stock Purchase Warrant (incorporated by reference to Exhibit 4.1 to Current Report on Form 8-K filed April 22, 2022)
10.1	Common Stock Purchase Agreement, dated January 12, 2022, between Verb Technology Company, Inc. and Tumim Stone Capital LLC (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed January 13, 2022)
10.2	Securities Purchase Agreement, dated January 12, 2022, among Verb Technology Company, Inc. and certain institutional investors thereto (incorporated by reference to Exhibit 10.2 to Current Report on Form 8-K filed January 13, 2022)
10.3	Form of Convertible Note due 2023 (incorporated by reference to Exhibit 10.3 to Current Report on Form 8-K filed January 13, 2022)
10.4	Security Agreement, dated January 12, 2022, among Verb Technology Company, Inc. and certain institutional investors thereto (incorporated by reference to Exhibit 10.4 to Current Report on Form 8-K filed January 13, 2022)
10.5	Form of Securities Purchase Agreement (incorporated by reference to Exhibit 10.1 to Current Report on Form 8-K filed April 22, 2022)
31.1*	Certification Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification Required by Rule 13a-14(a) of the Securities Exchange Act of 1934, as amended, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1**	Certification of Principal Executive Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
32.2**	Certification of Principal Financial Officer and Principal Accounting Officer Pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

* Filed herewith.

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

SIGNATURES

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

	VERB TECHNOLOGY COMPANY, INC.
Date: May 16, 2022	By: */s/ Rory J. Cutaia* Rory J. Cutaia President, Chief Executive Officer, Secretary, and Director (Principal Executive Officer)
Date: May 16, 2022	By: */s/ Salman H. Khan* Salman H. Khan Chief Financial Officer (Principal Financial Officer and Principal Accounting Officer)

Exhibit 31.1

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

I, Rory J. Cutaia, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Verb Technology Company, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

May 16, 2022

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

Exhibit 31.2

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

I, Salman H. Khan, 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 16, 2022

/s/ Salman H. Khan
Salman H. Khan
Chief Financial Officer, Principal Financial Officer, and Principal Accounting Officer

Exhibit 32.1

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

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

1. The Quarterly Report on Form 10-Q of Verb Technology Company, Inc. for the quarterly period ended March 31, 2022 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 16, 2022

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

Exhibit 32.2

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

The undersigned, Salman H. Khan, 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, 2022 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 16, 2022

/s/ Salman H. Khan
Salman H. Khan
Chief Financial Officer, Principal Financial Officer, and Principal Accounting Officer