UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2018

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 001-38407

RED VIOLET, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**82-2408531**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**

2650 North Military Trail, Suite 300,
Boca Raton, Florida 33431
(Address of Principal Executive Offices) (Zip Code)

(561) 757-4000
(Registrant's Telephone Number, Including Area Code)

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

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 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 Exchange Act): YES ☐ NO ☒

As of November 5, 2018, the registrant had 10,266,613 shares of common stock outstanding.

RED VIOLET, INC.
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PART I - FINANCIAL INFORMATION

Unless otherwise indicated or required by the context, all references in this Quarterly Report on Form 10-Q to “we,” “us,” “our,” “red violet,” or the “Company,” refer to Red Violet, Inc. and its consolidated subsidiaries.

Item 1. Financial Statements.

RED VIOLET, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except share data)

	(unaudited) September 30, 2018	December 31, 2017
ASSETS:		
Current assets:		
Cash and cash equivalents	$ 12,646	$ 65
Accounts receivable, net of allowance for doubtful accounts of $125 and $228 at September 30, 2018 and December 31, 2017, respectively	2,185	1,650
Prepaid expenses and other current assets	736	559
Total current assets	15,567	2,274
Property and equipment, net	877	1,091
Intangible assets, net	18,931	15,353
Goodwill	5,227	5,227
Other non-current assets	1,013	1,180
Total assets	$ 41,615	$ 25,125
LIABILITIES AND SHAREHOLDERS' EQUITY:		
Current liabilities:		
Trade accounts payable	$ 1,503	$ 919
Accrued expenses and other current liabilities	2,179	6,437
Deferred revenue	15	33
Total liabilities	3,697	7,389
Shareholders' equity:		
Preferred stock—$0.001 par value, 10,000,000 and 0 authorized, and 0 shares issued and outstanding, at September 30, 2018 and December 31, 2017, respectively	-	-
Common stock—$0.001 par value, 200,000,000 and 5,000 shares authorized, and 10,266,613 and 1,000 shares issued and outstanding, at September 30, 2018 and December 31, 2017, respectively	10	-
Additional paid-in capital	40,654	-
Accumulated deficit	(2,746)	-
Member's capital	-	17,736
Total shareholders' equity	37,918	17,736
Total liabilities and shareholders' equity	$ 41,615	$ 25,125

See notes to condensed consolidated financial statements

RED VIOLET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except share data)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	$ 4,360	$ 2,306	$ 11,594	$ 5,871
Costs and expenses:				
Cost of revenue (exclusive of depreciation and amortization)	2,233	1,955	6,334	5,199
Sales and marketing expenses	1,126	1,175	3,443	3,158
General and administrative expenses	2,182	2,222	5,776	15,150
Depreciation and amortization	508	288	1,437	724
Total costs and expenses	6,049	5,640	16,990	24,231
Loss from operations	(1,689)	(3,334)	(5,396)	(18,360)
Interest income, net	31	-	31	-
Other income, net	406	-	535	-
Loss before income taxes	(1,252)	(3,334)	(4,830)	(18,360)
Income taxes	-	-	-	-
Net loss	$ (1,252)	$ (3,334)	$ (4,830)	$ (18,360)
Loss per share:				
Basic and diluted	$ (0.12)	$ (0.32)	$ (0.47)	$ (1.79)
Weighted average number of shares outstanding:				
Basic and diluted	10,266,613	10,266,613	10,266,613	10,266,613

See notes to condensed consolidated financial statements

RED VIOLET, INC.
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY
(Amounts in thousands, except share data)
(unaudited)

	Common stock		Additional paid-in	Accumulated	Member's	
	Shares	Amount	capital	deficit	capital	Total
Balance at December 31, 2017	1,000	$ -	$ -	$ -	$ 17,736	$ 17,736
Contribution by Fluent, Inc., including allocation of expenses	-	-	-	-	24,264	24,264
Share-based compensation	-	-	402	-	346	748
Net loss	-	-	-	(2,746)	(2,084)	(4,830)
Spin-off from Fluent, Inc.	10,265,613	10	40,252	-	(40,262)	-
Balance at September 30, 2018	10,266,613	$ 10	$ 40,654	$ (2,746)	$ -	$ 37,918

See notes to condensed consolidated financial statements

RED VIOLET, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2018	**2017**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (4,830)	$ (18,360)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,437	724
Share-based compensation expense	432	2,246
Write-off of long-lived assets	63	-
Provision for bad debts	246	177
Allocation of expenses from Fluent, Inc.	325	2,849
Changes in assets and liabilities:		
Accounts receivable	(781)	(834)
Prepaid expenses and other current assets	(177)	266
Other non-current assets	167	178
Trade accounts payable	584	96
Accrued expenses and other current liabilities	(4,258)	4,784
Deferred revenue	(18)	(28)
Net cash used in operating activities	(6,810)	(7,902)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(51)	(476)
Capitalized costs included in intangible assets	(4,497)	(4,818)
Net cash used in investing activities	(4,548)	(5,294)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Capital contributed by Fluent, Inc.	23,939	13,222
Net cash provided by financing activities	23,939	13,222
Net increase in cash and cash equivalents	$ 12,581	$ 26
Cash and cash equivalents at beginning of period	65	226
Cash and cash equivalents at end of period	$ 12,646	$ 252
SUPPLEMENTAL DISCLOSURE INFORMATION		
Cash paid for interest	$ -	$ -
Cash paid for income taxes	$ -	$ -
Share-based compensation capitalized in intangible assets	$ 316	$ 629

See notes to condensed consolidated financial statements

1. Organization

On March 26, 2018, Fluent, Inc. ("Fluent") completed the previously announced spin-off (the "Spin-off") of its risk management business from its digital marketing business by way of a distribution of all the shares of common stock of Fluent's wholly-owned subsidiary, Red Violet, Inc. ("red violet" or the "Company"), a Delaware corporation, to Fluent's stockholders of record as of March 19, 2018 (the "Record Date") and certain warrant holders. The distribution occurred by way of a pro rata stock distribution to such common stock and warrant holders, each of whom received one share of red violet's common stock for every 7.5 shares of Fluent's common stock held on the Record Date or to which they were entitled to under their warrants, which resulted in a distribution of a total of 10,266,613 shares of red violet common stock. Upon the Spin-off, red violet owns Fluent subsidiaries that previously operated Fluent's risk management business.

As a result of the Spin-off, red violet is an independent public company and red violet's common stock began regular-way trading on The NASDAQ Capital Market under the symbol "RDVT" on March 27, 2018.

red violet has only one operating segment, as defined by ASC 280, "*Segment Reporting*."

2. Summary of significant accounting policies

(a) Basis of preparation and liquidity

The accompanying unaudited condensed consolidated financial statements have been prepared by red violet in accordance with accounting principles generally accepted in the United States ("US GAAP") and applicable rules and regulations of the Securities and Exchange Commission (the "SEC") regarding interim financial reporting. Certain information and note disclosures normally included in annual financial statements prepared in accordance with US GAAP have been condensed or omitted pursuant to those rules and regulations.

red violet accounted for the Spin-off in accordance with ASC 805-50-30-5 *Initial Measurement- Transactions Between Entities Under Common Control – Transfer Date Measurement* and therefore the net assets transferred from Fluent to red violet upon the Spin-off were reflected in red violet's condensed consolidated financial statements at Fluent's carrying values at the time of the Spin-off.

The accompanying unaudited condensed consolidated financial statements reflect all normal recurring adjustments necessary to present fairly the financial position, results of operations, and cash flows for the interim periods, but are not necessarily indicative of the results of operations to be anticipated for any future interim periods or for the full year ending December 31, 2018.

The information included in this quarterly report on Form 10-Q should be read in conjunction with the consolidated and combined financial statements and accompanying notes of red violet for the year ended December 31, 2017 ("2017 Financials") included in Exhibit 99.1, Information Statement, to red violet's current report on Form 8-K filed with the SEC on March 27, 2018.

The condensed consolidated balance sheet as of December 31, 2017 included herein was derived from the audited financial statements as of that date included in the 2017 Financials, but does not include all disclosures required by US GAAP.

Principles of consolidation

Although the Spin-off was completed on March 26, 2018, the Company has reflected the Spin-off in these financial statements as if it occurred on March 31, 2018 as the Company determined that the impact is not material to the condensed consolidated financial statements.

The financial statements present the consolidated results of operations, financial condition, and cash flows of red violet and its subsidiaries. For periods prior to the Spin-off, these financial statements were prepared on a consolidated and combined basis because certain of the entities were under common control. All intercompany accounts and transactions have been eliminated between the consolidated and combined entities.

The historical condensed consolidated and combined financial results presented prior to the Spin-off may not be indicative of the results that would have been achieved by the Company had it operated as a separate, standalone entity prior to the Spin-off. The condensed consolidated and combined financial statements presented prior to the Spin-off do not reflect any changes that may occur in the Company's operations in connection with or as a result of the Spin-off.

(b) Recently issued accounting standards

As an emerging growth company, we have left open the opportunity to take advantage of the extended transition period provided to emerging growth companies in Section 13(a) of the Exchange Act, however, it is the Company's present intention to adopt any applicable new accounting standards timely.

In May 2014, Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09 ("ASU 2014-09"), "*Revenue from Contracts with Customers (Topic 606)*." The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In August 2015, FASB issued ASU No. 2015-14, "*Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*," which delays the effective date of ASU 2014-09 by one year. FASB also agreed to allow entities to choose to adopt the standard as of the original effective date. In March 2016, FASB issued ASU No. 2016-08, "*Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)*" ("ASU 2016-08"), which clarifies the implementation guidance on principal versus agent considerations. The guidance includes indicators to assist an entity in evaluating whether it controls the good or the service before it is transferred to the customer. The new revenue recognition standard is effective for public entities for annual reporting periods beginning after December 15, 2017, and interim periods therein, that is, the first quarter of 2018. The new standard also permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the modified retrospective method). We adopted Topic 606 as of January 1, 2018 using the modified retrospective method, and the adoption did not have a material impact on our consolidated balance sheets, statements of operations, or cash flows. Refer to Note 2(c) below for further details.

In February 2016, FASB issued ASU No. 2016-02 ("ASU 2016-02"), "*Leases (Topic 842)*," which generally requires companies to recognize operating and financing lease liabilities and corresponding right-of-use assets on the balance sheet. In July 2018, FASB issued ASU No. 2018-10, "*Codification Improvements to Topic 842, Leases*," and ASU No. 2018-11, "*Leases (Topic 842): Targeted Improvements*." Topic 842 will be effective for public entities and private entities in the first quarter of 2019 and the first quarter of 2020, respectively, on a modified retrospective basis and early adoption is permitted. It will be effective for us in the first quarter of 2020. We are still evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

In June 2018, FASB issued ASU No. 2018-07 ("ASU 2018-07"), "*Improvements to Nonemployee Share-Based Payment Accounting*," which generally expands the scope of ASC 718, *Compensation – Stock Compensation*, to include share-based payment transactions for acquiring goods and services from nonemployees and to supersede the guidance in ASC 505-50, *Equity-Based Payments to Non-employees*, which previously included the accounting for nonemployee awards. This guidance will be effective for public business entities for fiscal years beginning after December 15, 2018, including interim periods, on a modified retrospective basis and early adoption is permitted. We early adopted ASU 2018-07 during the second quarter of 2018 and there was no material impact on our condensed consolidated financial statements and related disclosures.

In August 2018, FASB issued ASU No. 2018-15 ("ASU 2018-15"), "*Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*," which requires an entity (customer) in a hosting arrangement that is a service contract to follow the guidance in Subtopic 350-40 to determine which implementation costs to capitalize as an asset related to the service contract and which costs to expense. It also requires the entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement, which includes reasonably certain renewals. This guidance will be effective for the Company for annual reporting periods beginning after December 15, 2020, on a retrospective or prospective basis and early adoption is permitted. We are evaluating the effect that this guidance will have on our consolidated financial statements and related disclosures.

(c) Revenue recognition

On January 1, 2018, we adopted Topic 606 using the modified retrospective method applied to all contracts that were not completed contracts at the date of initial application. There was no impact on the opening accumulated deficit as of January 1, 2018 due to the adoption of Topic 606.

Revenue is recognized when control of goods or services is transferred to our customers, in an amount that reflects the consideration we expect to be entitled to in exchange for those goods or services. Our performance obligation is to provide on demand solutions to our customers by leveraging our proprietary technology and applying machine learning and advanced analytics to our massive data repository. The pricing for the customer contracts is based on usage, a monthly fee, or a combination of both.

Available within Topic 606, we have applied the portfolio approach practical expedient in accounting for customer revenue as one collective group, rather than individual contracts. Based on our historical knowledge of the contracts contained in this portfolio and the similar nature and characteristics of the customers, we have concluded the financial statement effects are not materially different than if accounting for revenue on a contract by contract basis.

Revenue is recognized over a period of time since the performance obligation is delivered in a series. Our customers simultaneously receive and consume the benefits provided by the Company's performance as and when provided. Furthermore, we have elected the "right to invoice" practical expedient, available within ASC 606-10-55-18, as our measure of progress, since we have a right to payment from a customer in an amount that corresponds directly with the value of our performance completed-to-date. The Company's revenue arrangements do not contain significant financing components.

If a customer pays consideration before we transfer services to the customer, those amounts are classified as deferred revenue. As of September 30, 2018 and December 31, 2017, the balance of deferred revenue was $15 and $33, respectively, all of which are expected to be realized in the next 12 months. In relation to the deferred revenue balance as of December 31, 2017, $6 and $33 was recognized into revenue during the three and nine months ended September 30, 2018, respectively.

As of September 30, 2018, approximately $892 of revenue is expected to be recognized in the future for outstanding performance obligations, primarily related to revenue for subscription contracts that have a term of more than 12 months. Approximately $154 will be recognized during the remaining three months of 2018, $567 in 2019 and the remainder in 2020. The actual timing of recognition may vary due to factors outside of the Company's control. The Company excludes variable consideration related entirely to wholly unsatisfied performance obligations and contracts and recognizes such variable consideration based upon the right to invoice the customer.

Sales commissions are recorded at the time revenue is recognized. These costs are recorded in sales and marketing expenses.

In addition, we elected the practical expedient to not disclose the value of unsatisfied performance obligations for (i) contracts with an original expected length of one year or less and (ii) contracts for which we recognize revenue at the amount to which we have the right to invoice for services performed.

3. Loss per share

Basic loss per share is computed by dividing net loss by the weighted average number of shares of common stock outstanding during the periods. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock and is calculated using the treasury stock method for stock options and unvested shares. Common equivalent shares are excluded from the calculation in the loss periods as their effects would be anti-dilutive.

Prior to the Spin-off, the financial information of red violet represented the consolidated and combined figures of red violet and its subsidiaries. red violet only had 1,000 shares of common stock outstanding, all of which Fluent owned. On March 26, 2018, upon the Spin-off of red violet, an aggregate of 10,266,613 shares of red violet common stock were distributed to Fluent stockholders and certain warrant holders. This number of shares remained outstanding at September 30, 2018, and is utilized to calculate loss per share for the three and nine months ended September 30, 2018 and 2017, as shown in the table below.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except share data)	**2018**	**2017**	**2018**	**2017**
Numerator:				
Net loss	$ (1,252)	$ (3,334)	$ (4,830)	$ (18,360)
Denominator:				
Weighted average shares outstanding - Basic and diluted	$ 10,266,613	$ 10,266,613	$ 10,266,613	$ 10,266,613
Loss per share:				
Basic and diluted:	$ (0.12)	$ (0.32)	$ (0.47)	$ (1.79)

A total of 2,145,500 shares of unvested restricted stock units ("RSUs") granted during the nine months ended September 30, 2018 have been excluded from the diluted loss per share calculation as the impact is anti-dilutive for the three and nine months ended September 30, 2018.

4. Intangible assets, net

Intangible assets other than goodwill consist of the following:

		September 30, 2018			December 31, 2017		
(In thousands)	Amortization Period	Gross Amount	Accumulated Amortization	Net	Gross Amount	Accumulated Amortization	Net
Software developed for internal use	5-10 years	$ 21,455	$ (2,524)	$ 18,931	$ 16,642	$ (1,289)	$ 15,353

The gross amount associated with software developed for internal use represents capitalized costs of internally-developed software, including eligible salaries and staff benefits, share-based compensation, traveling expenses incurred by relevant employees, and other relevant costs.

Amortization expenses of $445 and $217 for the three months ended September 30, 2018 and 2017, respectively, and $1,235 and $528 for the nine months ended September 30, 2018 and 2017, respectively, were included in depreciation and amortization expense. As of September 30, 2018, intangible assets of $3,719, included in the gross amounts of software developed for internal use, have not started amortization, as they are not ready for their intended use.

As of September 30, 2018, estimated amortization expense related to the Company's intangible assets for the remainder of 2018 through 2023 and thereafter are as follows:

(In thousands) Year	September 30, 2018
Remainder of 2018	$ 458
2019	2,331
2020	2,330
2021	2,328
2022	2,327
2023 and thereafter	9,157
Total	$ 18,931

5. Goodwill

Goodwill represents the cost in excess of the fair value of the net assets acquired in a business combination. As of September 30, 2018 and December 31, 2017, the balance of goodwill of $5,227 was as a result of the acquisition of Interactive Data, LLC ("Interactive Data"), a wholly-owned subsidiary of red violet, effective on October 2, 2014.

In accordance with ASC 350, *"Intangibles - Goodwill and Other,"* goodwill is tested at least annually for impairment, or when events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable, by assessing qualitative factors or performing a quantitative analysis in determining whether it is more likely than not that its fair value exceeds the carrying value. The measurement date of our annual goodwill impairment test is October 1.

As of September 30, 2018 and December 31, 2017, there are no events or changes in circumstances to indicate that goodwill is impaired.

6. Income taxes

red violet is a "C" corporation, while its subsidiaries are all limited liability companies. Before the Spin-off, red violet and its subsidiaries were consolidated with Fluent for U.S. federal income tax purposes. However, for purposes of these financial statements, the income tax provisions were prepared assuming the entities filed separate tax returns.

The Company is subject to federal and state income taxes in the United States. Our tax provision for interim periods is determined using an estimate of our annual effective tax rate, adjusted for discrete items arising in that quarter. In each quarter, we update our estimate of the annual effective tax rate, and if our estimated annual tax rate changes, we make a cumulative adjustment in that quarter.

On December 22, 2017, the tax reform legislation commonly known as the Tax Cuts and Jobs Act (the "Act") was enacted, with the statutory federal income tax rate lowered to 21% among other changes, effective on January 1, 2018. As a full valuation allowance was provided as of September 30, 2018, the Act does not have a material net impact on our condensed consolidated financial statements, however, certain income tax disclosures are affected.

The Company's effective income tax rate differed from the statutory federal income tax rate of 21% for the three and nine months ended September 30, 2018 and 34% for the three and nine months ended September 30, 2017. For the three and nine months ended September 30, 2018 and 2017, the effective income tax rate was 0%, and the difference is primarily the result of the full valuation allowance applied against the Company's deferred tax assets.

The Company assesses its income tax positions and records tax benefits for all years subject to examination based upon its evaluation of the facts, circumstances and information available at the reporting date. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, the Company has recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit has been recognized in the Company's financial statements.

red violet continually evaluates expiring statutes of limitations, audits, proposed settlements, changes in tax law and new authoritative rulings. red violet has no federal income tax filings that remain open for tax examination as 2018 will be the first filing year for the Company for U.S. federal income tax purposes. However, Interactive Data's stand-alone state income tax returns since 2014 remain open for tax examination.

red violet does not have any unrecognized tax benefits as of September 30, 2018 and December 31, 2017.

7. Common stock and preferred stock

Common stock

As of September 30, 2018 and December 31, 2017, the number of authorized shares of common stock was 200,000,000 and 5,000, with a par value of $0.001 per share, respectively, of which, 10,266,613 and 1,000 shares of common stock were issued and outstanding, respectively.

On March 26, 2018, Fluent completed the Spin-off of its risk management business from its digital marketing business by way of a distribution of all the shares of common stock of red violet to Fluent's stockholders of record as of March 19, 2018, the Record Date, and certain warrant holders, which resulted in a distribution of a total of 10,266,613 shares of red violet common stock.

Preferred stock

As of September 30, 2018, we had 10,000,000 shares of preferred stock with par value of $0.001 per share authorized, and there were no shares of preferred stock issued or outstanding. There was no preferred stock authorized as of December 31, 2017.

8. Share-based compensation

On March 22, 2018, the board of directors of red violet and Fluent, in its capacity as sole stockholder of red violet prior to the Spin-off, approved the Red Violet, Inc. 2018 Stock Incentive Plan, (the "2018 Plan"), which became effective immediately prior to the Spin-off. A total of 3,000,000 shares of common stock were authorized to be issued under the 2018 Plan. The primary purpose of the 2018 Plan is to attract, retain, reward and motivate certain individuals by providing them with an opportunity to acquire or increase a proprietary interest in the Company and to incentivize them to expend maximum effort for the growth and success of the Company, so as to strengthen the mutuality of the interests between such individuals and the stockholders of the Company.

On March 29, 2018, an aggregate of 56,000 RSUs were granted to certain nonemployee directors, at a grant date fair value of $6.10 per share, under the 2018 Plan, with vesting periods ranging from one to three years.

In July 2018, an aggregate of 602,000 RSUs were granted to certain employees of the Company, at a grant date fair value ranging from $7.53 to $8.60 per share, under the 2018 Plan, with vesting periods ranging from three to four years.

On September 5, 2018, the Company's compensation committee approved the grant of an aggregate of 1,487,500 RSUs, subject to both time- and performance-based requirements, to certain of its executive officers and directors, at a grant date fair value of $7.69 per share, under the 2018 Plan, with a three-year vesting period. Such RSU grants shall not vest unless and until the Company has, for any fiscal quarter in which the RSUs are outstanding, (i) gross revenue determined in accordance with the Company's reviewed or audited financial statements in excess of $7.0 million for such fiscal quarter, (ii) positive adjusted EBITDA, as determined based on amounts derived from the Company's reviewed or audited financial statements for such fiscal quarter, and (iii) the participant continues to provide services to the Company either as an employee, director or consultant on the last date of the quarter that the performance criteria is met (collectively, the "Performance Criteria"). If the Performance Criteria are met, the RSUs will vest one-third annually on each of July 1, 2019, July 1, 2020 and July 1, 2021 ("Time-Based Vesting Requirement"). In the event of a change of control, all RSUs which have not vested on the date of such change of control shall immediately vest. No amortization of share-based compensation expense has been recognized during the three and nine months ended September 30, 2018, in relation to RSUs with Performance Criteria, because, as of September 30, 2018, the Company determined that it is not probable that the Performance Criteria will be met.

As of September 30, 2018, unrecognized share-based compensation expense associated with the granted RSUs, excluding those RSUs with Performance Criteria, amounted to $4,449, which is expected to be recognized over a weighted average period of 3.0 years.

Share-based compensation was allocated to the following accounts in the condensed consolidated financial statements for the three and nine months ended September 30, 2018 and 2017:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2018**	**2017**	**2018**	**2017**
Sales and marketing expenses	$ 54	$ 59	$ 95	$ 221
General and administrative expenses	164	504	337	2,025
Share-based compensation expense	218	563	432	2,246
Capitalized in intangible assets	135	236	316	629
Total	$ 353	$ 799	$ 748	$ 2,875

The amounts recorded included an allocation of share-based compensation related to the share-based awards granted by Fluent to company employees or non-employees prior to the Spin-off.

9. Related party transactions

Contribution by Fluent, Inc., recorded in the condensed consolidated statement of changes in shareholders' equity, represents cash funding provided or the portion of certain expenses allocated by Fluent to red violet, on or prior to the Spin-off.

These allocated expenses are primarily corporate employee salaries and benefits of the functional groups (inclusive of executive management, accounting, administrative and information technology) and corporate administrative expenses (inclusive of legal services, accounting and finance services and other corporate and infrastructure services). Corporate employee salaries and benefits were allocated on the basis of time spent, and corporate administrative expenses were allocated on the basis of relative percentage of services utilized or benefit received. red violet recorded expenses of $0 and $961 for the three months ended September 30, 2018 and 2017, respectively, and $325 and $2,849 for the nine months ended September 30, 2018 and 2017, respectively, as a result of the allocation of expenses from Fluent. Upon the Spin-off, Fluent no longer allocates any expenses to red violet.

In addition, share-based compensation of $0 and $799 for the three months ended September 30, 2018 and 2017, respectively, and $344 and $2,875 for the nine months ended September 30, 2018 and 2017, respectively, relating to the share-based awards granted by Fluent prior to the Spin-off, were recorded.

Management believes the assumptions and allocations underlying the condensed consolidated financial statements are reasonable and appropriate under the circumstances. The expense allocations have been determined on a basis considered to be a reasonable reflection of the utilization of services provided to or the benefit received by red violet during the periods presented relative to the total costs and expenses incurred by Fluent. However, these expenses may not be reflective of the expenses that would have been recorded had red violet been an entity that operated independently of Fluent, and not been a subsidiary of Fluent. Consequently, future results of operations of red violet after the Spin-off will include costs and expenses that may be materially different than red violet's historical results of operations, financial position, and cash flows. Accordingly, the financial statements for these periods are not indicative of red violet's future results of operations, financial position, and cash flow.

MDB Agreement and Services Agreement

On April 26, 2018, the Company entered into a consulting agreement with MDB Management, Inc. ("MDB"), a company owned by Michael Brauser, the then chairman of the Company's board of directors, and one of his sons, for MDB to provide consulting services to the Company related to business development, future acquisitions, and strategic transactions ("MDB Agreement"), for a term of six months, automatically renewing for additional six month periods unless either party provides written notice to the other of its intent not to renew not fewer than 30 days prior to the expiration of the then current term. Under the MDB Agreement, the consulting service fee is $30 per month. The Company recognized consulting service fees relating to the MDB Agreement of a total of $30 and $90 during the three and nine months ended September 30, 2018, respectively.

On August 7, 2018, the MDB Agreement was terminated by mutual agreement of the parties with no further liability under the MDB Agreement by either party. On the same day, the board of directors of the Company appointed Michael Brauser Executive Chairman of the Company and the Company entered into an executive chairman services agreement with Mr. Brauser, pursuant to which Mr. Brauser will be providing recommendations on organizational and capital structure, future acquisitions and strategic transactions ("Services Agreement"), for a term of one year, automatically renewing for additional one-year periods unless either party provides written notice to the other of its intent not to renew not fewer than 30 days prior to the expiration of the then current term. Under the Services Agreement, Mr. Brauser receives cash compensation of $30 per month and is entitled to participate in the Company's incentive compensation plan. The Company recognized consulting service fees relating to the Services Agreement of a total of $90 during the three and nine months ended September 30, 2018.

Effective September 9, 2018, Mr. Brauser resigned as Executive Chairman and as a member of the board of directors of the Company. Mr. Brauser remains a consultant to the Company and continues to provide services under the existing Services Agreement.

10. Commitments and contingencies

(a) Capital commitment

The Company incurred data costs of $1,447 and $1,154 for the three months ended September 30, 2018 and 2017, respectively, and $4,080 and $3,333 for the nine months ended September 30, 2018 and 2017, respectively, under certain data licensing agreements. As of September 30, 2018, material capital commitments under certain data licensing agreements were $20,331, shown as follows:

(In thousands)

Year		**September 30, 2018**
Remainder of 2018	$	1,444
2019		6,410
2020		6,400
2021		4,775
2022		1,302
Total	$	20,331

(b) Contingencies

We may be involved in litigation from time to time in the ordinary course of business. We do not believe that the ultimate resolution of any such matters will have a material adverse effect on our business, financial condition, results of operations or cash flows. However, the results of such matters cannot be predicted with certainty and we cannot assure you that the ultimate resolution of any legal or administrative proceeding or dispute will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Executive Overview

You should read the following discussion in conjunction with our condensed consolidated financial statements and related notes included in this Quarterly Report on Form 10-Q ("Form 10-Q"). This Form 10-Q contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 ("PSLRA"), 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"), about our expectations, beliefs, or intentions regarding our business, financial condition, results of operations, strategies, or prospects. You can identify forward-looking statements by the fact that these statements do not relate strictly to historical or current matters. Rather, forward-looking statements relate to anticipated or expected events, activities, trends, or results as of the date they are made. Because forward-looking statements relate to matters that have not yet occurred, these statements are inherently subject to risks and uncertainties that could cause our actual results to differ materially from any future results expressed or implied by the forward-looking statements. Many factors could cause our actual activities or results to differ materially from the activities and results anticipated in forward-looking statements. These factors include those contained in this Quarterly Report on Form 10-Q, as well as the disclosures made in the Company's Information Statement included in our current report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on March 27, 2018 ("Information Statement"), and other filings we make with the SEC. We do not undertake any obligation to update forward-looking statements, except as required by law. We intend that all forward-looking statements be subject to the safe harbor provisions of PSLRA. These forward-looking statements are only predictions and reflect our views as of the date they are made with respect to future events and financial performance.

The historical financial statements we have included in this Form 10-Q may not reflect what our business, financial position or results of operations would have been had we been a publicly traded company during the periods presented or what our results of operations, financial position and cash flows will be in the future as a stand-alone company.

Overview

On March 26, 2018, Fluent, Inc. ("Fluent") completed the previously announced spin-off (the "Spin-off") of its risk management business from its digital marketing business by way of a distribution of all the shares of common stock of Fluent's wholly-owned subsidiary, Red Violet, Inc., a Delaware corporation ("red violet," "we," "us," "our," and similar terms), to Fluent's stockholders of record as of March 19, 2018 (the "Record Date") and certain warrant holders. The distribution occurred by way of a pro rata stock distribution to such common stock and warrant holders, each of whom received one share of red violet's common stock for every 7.5 shares of Fluent's common stock held on the Record Date or to which they were entitled to under their warrants, which resulted in a distribution of a total of 10,266,613 shares of red violet common stock. Upon the Spin-off, red violet owns Fluent subsidiaries which previously operated Fluent's risk management business.

As a result of the Spin-off, red violet is an independent public company and red violet's common stock began regular-way trading on The NASDAQ Capital Market under the symbol "RDVT" on March 27, 2018.

Although the Spin-off was completed on March 26, 2018, we have reflected the Spin-off in the financial statements included in this Form 10-Q as if it occurred on March 31, 2018 as we have determined that the impact is not material to the condensed consolidated financial statements.

The financial statements present the consolidated results of operations, financial condition, and cash flows of red violet and its subsidiaries. For periods prior to the Spin-off, these financial statements were prepared on a consolidated and combined basis because the operations were under common control. All intercompany accounts and transactions have been eliminated between the consolidated and combined entities.

red violet is a software and services company specializing in big data analysis, providing cloud-based, mission-critical solutions to enterprises in a variety of industries. red violet's mission is to transform data into intelligence utilizing our proprietary technology platform to solve complex problems for our clients. Harnessing the power of data fusion and powerful analytics, we transform data into intelligence, in a fast and efficient manner, so our clients can spend their time on what matters most -- running their organizations with confidence. Through our intelligent platform, CORE™, we uncover the relevance of disparate data points utilizing our analytical capabilities to provide real-time and insightful views of people, businesses, assets and their interrelationships. We empower clients across markets and industries to better execute all aspects of their business, from managing risk, identifying fraud and abuse, and ensuring legislative compliance, to debt recovery.

We provide unique and compelling solutions essential to the daily workflow of organizations within both the public and private sectors. Our cloud-based data fusion platform, combined with our massive database consisting of public-record, proprietary and publicly-available data, as well as a unique repository of self-reported information on millions of consumers, enables the delivery of differentiated products and solutions used for a variety of essential functions. These essential functions include identification and authentication, and investigation and validation.

Leveraging leading-edge technology, proprietary algorithms, and massive datasets, and through intuitive and powerful analytical applications, we provide solutions to organizations within the risk management industry. CORE is our next generation data fusion platform, providing mission-critical information about individuals, businesses and assets to a variety of markets and industries. Through machine learning and advanced analytics, we use the power of data fusion to ingest and analyze data at a massive scale. The derived information from the data fusion process ultimately serves to generate unique solutions for banking and financial services companies, insurance companies, healthcare companies, law enforcement and government, the collection industry, law firms, retail, telecommunications companies, corporate security and investigative firms.

Built in a secure payment card industry (PCI) compliant environment, our cloud-based next generation technology delivers greater than four 9s of service uptime. By leveraging our proprietary infrastructure design within the cloud, we currently operate in six datacenters spread geographically across the U.S. and are able to dynamically and seamlessly scale as needed. Using our intelligent framework, and leveraging a microservices architecture where appropriate, we reduce operational cost and complexity, thus delivering superior performance at greatly reduced costs compared to traditional datacenter architectures. Since the release of our CORE platform in May 2016, we have added billions of data records and continue to add over a billion records per month on average. Our average query response time for a comprehensive profile is less than 250 milliseconds versus competitive platforms that measure comprehensive profile response times in seconds.

From inception of our risk management business in September 2014 through December 2016, the majority of our operations were dedicated to the early-stage development of our business model, including the development of our proprietary, cloud-based technology platform, CORE, and the buildout of our initial-phase suite of products, powered by CORE, to serve a variety of industries within risk management. Beginning January 2017, with our technology platform production ready and hardened, our initial suite of products released into the marketplace, and a multi-year product roadmap defined, we transformed from a development organization to a sales-driven organization with sales increasing from a $5.8 million annual run-rate for the month ended January 31, 2017 to a $18.6 million annual run-rate for the month ended September 30, 2018.

In order for us to continue to develop new products, grow our existing business and expand into additional markets, we must generate and sustain sufficient operating profits and cash flow in future periods. This will require us to generate additional sales from current products and new products currently under development. We are building out our sales organization to drive current products and to introduce new products into the market place. We will incur increased compensation expenses relating to our sales and marketing, executive and administrative, and infrastructure-related persons as we increase headcount in the next 12 months.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States ("US GAAP"). The preparation of these financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to the allowance for doubtful receivables, useful lives of property and equipment and intangible assets, income tax provision, and recoverability of the carrying amounts of goodwill and intangible assets. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

For additional information, please refer to the consolidated and combined financial statements and accompanying notes of red violet for the year ended December 31, 2017 ("2017 Financials") included in the Information Statement. There have been no material changes to Critical Accounting Policies and Estimates disclosed in our 2017 Financials.

Recently issued accounting standards

See Note 2(b), "*Recently issued accounting standards,"* in "Notes to Condensed Consolidated Financial Statements."

Third Quarter Financial Results

For the three months ended September 30, 2018, as compared to the three months ended September 30, 2017:

- Total revenue increased 89% to $4.4 million.
- Net loss improved by $2.1 million to $1.3 million.
- Loss per share improved by $0.20 to $0.12.
- Adjusted gross profit increased 506% to $2.1 million.
- Adjusted gross margin increased to 49% from 15%.
- Adjusted EBITDA improved by $1.3 million to negative $0.8 million.

Third Quarter and Recent Business Highlights

- Monthly revenue increased at a CAGR of 91% over the first nine months of 2018 with an annual revenue run rate of $18.6 million for the month ended September 30, 2018.
- Recurring revenue continues to expand with 64% of monthly revenue attributable to customer contracts versus transactional usage. Contracts are generally annual contracts or longer, with auto renewal.
- Business continues to scale towards profitability as adjusted gross profit grew at a CAGR of 274% over the first nine months of 2018, resulting in an annual adjusted gross profit run rate of $9.9 million for the month ended September 30, 2018.
- FOREWARN®, our subscription app-based solution for the real estate industry, powered by CORE™, grew revenue at a CAGR of 464% over the first nine months of 2018, with an annual run rate of $0.7 million for the month ended September 30, 2018.

Use and Reconciliation of Non-GAAP Financial Measures

Management evaluates the financial performance of our business on a variety of key indicators, including non-GAAP metrics of adjusted EBITDA, adjusted gross profit and adjusted gross margin. Adjusted EBITDA is a financial measure equal to net loss, the most directly comparable financial measure based on US GAAP, excluding interest income, depreciation and amortization, share-based compensation expense, litigation costs, insurance proceeds in relation to settled litigation, transition service income, write-off of long-lived assets and others, as noted in the tables below. We define adjusted gross profit as revenue less cost of revenue (exclusive of depreciation and amortization), and adjusted gross margin as adjusted gross profit as a percentage of revenue.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2018**	**2017**	**2018**	**2017**
Net loss	$ (1,252)	$ (3,334)	$ (4,830)	$ (18,360)
Interest income, net	(31)	-	(31)	-
Depreciation and amortization	508	288	1,437	724
Share-based compensation expense	218	563	432	2,246
Litigation costs	125	337	134	9,166
Insurance proceeds in relation to settled litigation	(350)	-	(350)	-
Transition service income	(56)	-	(214)	-
Write-off of long-lived assets and others	2	-	92	-
Adjusted EBITDA	$ (836)	$ (2,146)	$ (3,330)	$ (6,224)

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	**2018**	**2017**	**2018**	**2017**
Revenue	$ 4,360	$ 2,306	$ 11,594	$ 5,871
Cost of revenue (exclusive of depreciation and amortization)	2,233	1,955	6,334	5,199
Adjusted gross profit	$ 2,127	$ 351	$ 5,260	$ 672
Adjusted gross margin	49%	15%	45%	11%

We present adjusted EBITDA, adjusted gross profit and adjusted gross margin as supplemental measures of our operating performance because we believe they provide useful information to our investors as they eliminate the impact of certain items that we do not consider indicative of our cash operations and ongoing operating performance. In addition, we use them as an integral part of our internal reporting to measure the performance of our business, evaluate the performance of our senior management and measure the operating strength of our business.

Adjusted EBITDA, adjusted gross profit and adjusted gross margin are measures frequently used by securities analysts, investors and other interested parties in their evaluation of the operating performance of companies similar to ours and are indicators of the operational strength of our business. Adjusted EBITDA eliminates the uneven effect of considerable amounts of non-cash depreciation and amortization, share-based compensation expense and the impact of other items. Adjusted gross profit and adjusted gross margin are calculated by using cost of revenue (exclusive of depreciation and amortization).

Adjusted EBITDA, adjusted gross profit and adjusted gross margin are not intended to be performance measures that should be regarded as an alternative to, or more meaningful than, either loss before income taxes or net loss as indicators of operating performance or to cash flows from operating activities as a measure of liquidity. The way we measure adjusted EBITDA, adjusted gross profit and adjusted gross margin may not be comparable to similarly titled measures presented by other companies, and may not be identical to corresponding measures used in our various agreements.

Results of Operations

Three months ended September 30, 2018 compared to three months ended September 30, 2017

Revenue. Revenue increased $2.1 million or 89% to $4.4 million for the three months ended September 30, 2018 from $2.3 million for the three months ended September 30, 2017. This increase was driven by strong growth in volume resulting from the continued staged release of our product suite, following our transformation from a development organization to a sales-driven organization beginning January 2017. During this time frame, our monthly sales increased from a $9.9 million annual run-rate for the month ended September 30, 2017 to a $18.6 million annual run-rate for the month ended September 30, 2018.

Cost of revenue (exclusive of depreciation and amortization). Cost of revenue increased $0.2 million or 14% to $2.2 million for the three months ended September 30, 2018 from $2.0 million for the three months ended September 30, 2017. Our cost of revenue primarily includes data acquisition costs. Data acquisition costs consist primarily of the costs to acquire data either on a transactional basis or through flat-fee data licensing agreements, including unlimited usage agreements. We continue to expand our relationships with our key data suppliers, including our largest data supplier which accounted for approximately 44% of our total data acquisition costs for the three months ended September 30, 2018, compared to approximately 46% for the three months ended September 30, 2017. Other cost of revenue items include expenses related to third-party infrastructure fees.

We continued to develop our baseline data repository in anticipation of completing the development of our full suite of risk management products during the development periods. As the construct of our data costs is a flat-fee, unlimited usage model, the cost of revenue as a percentage of revenue decreased to 51% for the three months ended September 30, 2018, from 85% for the three months ended September 30, 2017, as a result of the scaling. We expect that cost of revenue as a percentage of revenue will continue to decrease over the coming years as our revenue increases. Historically, at scale, the industry business model's cost of revenue will trend between 15% and 30% as a percentage of revenue.

Sales and marketing expenses. Sales and marketing expenses decreased slightly by $0.1 million or 4% to $1.1 million for the three months ended September 30, 2018 from $1.2 million for the three months ended September 30, 2017. Sales and marketing expenses consist of salaries and benefits, advertising and marketing, traveling expenses, and share-based compensation expense, incurred by our sales team.

General and administrative expenses. General and administrative expenses remained constant at $2.2 million for the three months ended September 30, 2018 as compared to the three months ended September 30, 2017. For the three months ended September 30, 2018 and 2017, our general and administrative expenses consisted primarily of litigation costs of $0.1 and $0.3 million, share-based compensation expense of $0.2 million and $0.5 million, employee salaries and benefits of $0.9 million and $0.8 million, and other professional fees of $0.5 million and $0.2 million, respectively.

Depreciation and amortization. Depreciation and amortization expenses increased $0.2 million or 76% to $0.5 million for the three months ended September 30, 2018 from $0.3 million for the three months ended September 30, 2017. The increase in depreciation and amortization for the three months ended September 30, 2018 resulted from the amortization of software developed for internal use that became ready for its intended use after the third quarter of 2017.

Other income, net. For the three months ended September 30, 2018, other income, net consisted primarily of transition service income of $0.1 million and the insurance proceeds of $0.4 million in relation to previously settled litigation.

Loss before income taxes. We had a loss before income taxes of $1.3 million for the three months ended September 30, 2018, as compared to $3.3 million for the three months ended September 30, 2017. The decrease in loss before income taxes resulted primarily from the increase in revenue and decrease in our cost of revenue as a percentage of revenue.

Income taxes. Income tax expense of $0 was recognized for the three months ended September 30, 2018 and 2017. A full valuation allowance on the deferred tax assets was recognized as of September 30, 2018 and 2017. On December 22, 2017, the tax reform legislation commonly known as the Tax Cuts and Jobs Act (the "Act") was enacted, with the statutory federal income tax rate lowered to 21% among other changes, effective on January 1, 2018. As a full valuation allowance was provided as of September 30, 2018, the Act does not have a material net impact on our condensed consolidated financial statements. See Note 6, "Income Taxes," included in "Notes to Condensed Consolidated Financial Statements," for details.

Net loss. A net loss of $1.3 million was recognized for the three months ended September 30, 2018, as compared to $3.3 million for the three months ended September 30, 2017, as a result of the foregoing.

Nine months ended September 30, 2018 compared to nine months ended September 30, 2017

Revenue. Revenue increased $5.7 million or 97% to $11.6 million for the nine months ended September 30, 2018 from $5.9 million for the nine months ended September 30, 2017. This increase was driven by strong growth in volume resulting from the continued staged release of our product suite, following our transformation from a development organization to a sales-driven organization beginning January 2017. During this time frame, our monthly sales increased from a $9.9 million annual run-rate for the month ended September 30, 2017 to a $18.6 million annual run-rate for the month ended September 30, 2018.

Cost of revenue (exclusive of depreciation and amortization). Cost of revenue increased $1.1 million or 22% to $6.3 million for the nine months ended September 30, 2018 from $5.2 million for the nine months ended September 30, 2017. Our cost of revenue primarily includes data acquisition costs. Data acquisition costs consist primarily of the costs to acquire data either on a transactional basis or through flat-fee data licensing agreements, including unlimited usage agreements. We continue to expand our relationships with our key data suppliers, including our largest data supplier which accounted for approximately 47% of our total data acquisition costs for the nine months ended September 30, 2018, compared to approximately 43% for the nine months ended September 30, 2017. Other cost of revenue items include expenses related to third-party infrastructure fees.

We continued to develop our baseline data repository in anticipation of completing the development of our full suite of risk management products during the development periods. As the construct of our data costs is a flat-fee, unlimited usage model, the cost of revenue as a percentage of revenue decreased to 55% for the nine months ended September 30, 2018, from 89% for the nine months ended September 30, 2017, as a result of the scaling. We expect that cost of revenue as a percentage of revenue will continue to decrease over the coming years as our revenue increases. Historically, at scale, the industry business model's cost of revenue will trend between 15% and 30% as a percentage of revenue.

Sales and marketing expenses. Sales and marketing expenses increased $0.2 million or 9% to $3.4 million for the nine months ended September 30, 2018 from $3.2 million for the nine months ended September 30, 2017. The increase resulted from increased headcount as we continue to invest in the expansion of our sales organization. Sales and marketing expenses consist of salaries and benefits, advertising and marketing, traveling expenses, and share-based compensation expense, incurred by our sales team.

General and administrative expenses. General and administrative expenses decreased $9.4 million or 62% to $5.8 million for the nine months ended September 30, 2018 from $15.2 million for the nine months ended September 30, 2017. The decrease resulted from decreases in litigation costs and share-based compensation expense, which were partially offset by increases in employee salaries and benefits and other professional fees. For the nine months ended September 30, 2018 and 2017, our general and administrative expenses consisted primarily of litigation costs of $0.1 million and $9.2 million, share-based compensation expense of $0.3 million and $2.0 million, employee salaries and benefits of $2.4 million and $2.0 million, and other professional fees of $1.3 million and $0.7 million, respectively.

Depreciation and amortization. Depreciation and amortization expenses increased $0.7 million or 98% to $1.4 million for the nine months ended September 30, 2018 from $0.7 million for the nine months ended September 30, 2017. The increase in depreciation and amortization for the nine months ended September 30, 2018 resulted primarily from the amortization of software developed for internal use that became ready for its intended use after the third quarter of 2017.

Other income, net. For the nine months ended September 30, 2018, other income, net consisted primarily of transition service income of $0.2 million and the insurance proceeds of $0.4 million in relation to previously settled litigation.

Loss before income taxes. We had a loss before income taxes of $4.8 million for the nine months ended September 30, 2018, as compared to $18.4 million for the nine months ended September 30, 2017. The decrease in loss before income taxes resulted from the increase in revenue, decrease in our cost of revenue as a percentage of revenue, decreases in litigation costs and share-based compensation expense, which were partially offset by increases in salaries and benefits, other professional fees and depreciation and amortization.

Income taxes. Income tax expense of $0 was recognized for the nine months ended September 30, 2018 and 2017. A full valuation allowance on the deferred tax assets was recognized as of September 30, 2018 and 2017. On December 22, 2017, the Act was enacted, with the statutory federal income tax rate lowered to 21% among other changes, effective on January 1, 2018. As a full valuation allowance was provided as of September 30, 2018, the Act does not have a material net impact on our condensed consolidated financial statements. See Note 6, “Income Taxes,” included in “Notes to Condensed Consolidated Financial Statements,” for details

Net loss. A net loss of $4.8 million was recognized for the nine months ended September 30, 2018, as compared to $18.4 million for the nine months ended September 30, 2017, as a result of the foregoing.

Effect of Inflation

The rates of inflation experienced in recent years have had no material impact on our financial statements. We attempt to recover increased costs by increasing prices for our services, to the extent permitted by contracts and competition.

Liquidity and Capital Resources

Cash flows used in operating activities. For the nine months ended September 30, 2018, net cash used in operating activities was $6.8 million, primarily the result of the net loss of $4.8 million, adjusted for certain non-cash items totaling $2.5 million, consisting of share-based compensation expense, depreciation and amortization, write-off of long-lived assets, provision for bad debts and allocation of expenses from Fluent, Inc. In addition, the net working capital increased $4.4 million, primarily the result of the decrease in accrued expenses and other current liabilities and the increase in accounts receivable following the increase in revenue. For the nine months ended September 30, 2017, net cash used in operating activities was $7.9 million, primarily the result of the net loss of $18.4 million, adjusted for certain non-cash items of an aggregate of $6.0 million, and the cash provided by net working capital of $4.5 million.

Cash flows used in investing activities. Net cash used in investing activities for the nine months ended September 30, 2018 and 2017 was $4.5 million and $5.3 million, respectively, as a result of capitalized costs included in intangible assets of $4.5 million and $4.8 million for the corresponding periods.

Cash flows provided by financing activities. Net cash provided by financing activities for the nine months ended September 30, 2018 and 2017 was $23.9 million (inclusive of the $20.0 million cash contribution by Fluent to red violet upon the Spin-off) and $13.2 million, respectively, as a result of capital contributed by Fluent during the corresponding periods.

As of September 30, 2018, we had material commitments under certain data licensing agreements of $20.3 million. We anticipate funding our operations using available cash and cash flow generated from operations within the next twelve months.

We reported net loss of $1.3 million and $4.8 million for the three and nine months ended September 30, 2018, respectively, as compared to $3.3 million and $18.4 million for the three and nine months ended September 30, 2017, respectively. As of September 30, 2018, we had a total shareholders’ equity balance of $37.9 million.

As of September 30, 2018, we had cash and cash equivalents of approximately $12.6 million. Prior to the Spin-off, we funded our operations via intercompany transfers from Fluent on an as needed basis. Based on projections of growth in revenue and operating results in the coming year, and the available cash and cash equivalents held by us, we believe that we will have sufficient cash resources to finance our operations and expected capital expenditures for the next twelve months. Subject to revenue growth, we may have to raise capital through the issuance of additional equity and/or debt, which, if we are able to obtain, could have the effect of diluting stockholders. Any equity or debt financings, if available at all, may be on terms which are not favorable to us. If our operations do not generate positive cash flow in the upcoming year, or if we are not able to obtain additional equity or debt financing on terms and conditions acceptable to us, if at all, we may be unable to implement our business plan, or even continue our operations.

Off-Balance Sheet Arrangements

As of September 30, 2018, we did not have any off-balance sheet arrangements, as defined in Item 303(a)(4)(ii) of Regulation S-K.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

As a smaller reporting company as defined in Rule 12b-2 of the Exchange Act, we are not required to include information required by this item.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our chief executive officer and chief financial officer, evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of September 30, 2018. We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed in our reports filed or submitted 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 chief executive officer and chief financial officer, as appropriate, to allow for timely decisions regarding required disclosure.

Based on the evaluation of disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934), the Company's chief executive officer and chief financial officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2018.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply its judgment in evaluating the benefits of possible controls and procedures relative to their costs.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is not currently a party to any legal proceeding, investigation or claim which, in the opinion of the management, is likely to have a material adverse effect on the business, financial condition, results of operations or cash flows. We review legal proceedings and claims on an ongoing basis and follow appropriate accounting guidance, including ASC 450, when making accrual and disclosure decisions. We establish accruals for those contingencies where the incurrence of a loss is probable and can be reasonably estimated, and we disclose the amount accrued and the amount of a reasonably possible loss in excess of the amount accrued, if such disclosure is necessary for our financial statements to not be misleading. To estimate whether a loss contingency should be accrued by a charge to income, we evaluate, among other factors, the degree of probability of an unfavorable outcome and the ability to make a reasonable estimate of the amount of the loss. We do not record liabilities when the likelihood that the liability has been incurred is probable, but the amount cannot be reasonably estimated.

In addition, we may be involved in litigation from time to time in the ordinary course of business. We do not believe that the ultimate resolution of any such matters will have a material adverse effect on our business, financial condition, results of operations or cash flows. However, the results of such matters cannot be predicted with certainty and we cannot assure you that the ultimate resolution of any legal or administrative proceeding or dispute will not have a material adverse effect on our business, financial condition, results of operations and cash flows.

Item 1A. Risk Factors.

There have been no material changes to the risk factors previously disclosed in the Company's Information Statement filed as Exhibit 99.1 to the Company's current report on Form 8-K filed with the Securities and Exchange Commission on March 27, 2018.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not Applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following exhibits are filed as part of, or incorporated by reference into, this Quarterly Report on Form 10-Q.

		Incorporated by Reference				Filed
Exhibit No.	**Exhibit Description**	**Form**	**File No.**	**Exhibit**	**Filing Date**	**Herewith**
10.1+	Executive Chairman Services Agreement, effective as of August 7, 2018, by and between Red Violet, Inc. and Michael Brauser.	10-Q	001-38407	10.1	08/08/2018	
10.2+	Form of Time- and Performance-Based Restricted Stock Unit Award Agreement.					X
31.1	Certification of Chief Executive Officer filed pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Securities and Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
31.2	Certification of Chief Financial Officer filed pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a) of the Securities and Exchange Act of 1934 as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.					X
32.1*	Certification by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
32.2*	Certification by Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.					X
101.INS	XBRL Instance Document					X
101.SCH	XBRL Taxonomy Extension Schema Document					X
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document					X
101.LAB	XBRL Taxonomy Extension Label Linkbase Document					X
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document					X

+ Management contract or compensatory plan or arrangement

* This certification is deemed not filed for purposes of section 18 of the Securities Exchange Act of 1934, as amended (Exchange Act), or otherwise subject to the liability of that section, nor shall it be deemed incorporated by reference into any filing under the Securities Act of 1933, as amended or the Exchange Act.

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.

Red Violet, Inc.

November 7, 2018

By: /s/ Daniel MacLachlan
Daniel MacLachlan
Chief Financial Officer
(Principal Financial Officer)

By: /s/ Jacky Wang
Jacky Wang
Chief Accounting Officer
(Principal Accounting Officer)

Exhibit 10.2

FORM

RESTRICTED STOCK UNIT AGREEMENT
PURSUANT TO THE
RED VIOLET, INC.
2018 STOCK INCENTIVE PLAN

THIS AGREEMENT is made as of the ____ day of ________, 2018, between Red Violet, Inc. (“Company”), a Delaware corporation, and ___________ (“Participant”). Capitalized terms not defined herein shall have the meaning ascribed thereto in the Red Violet, Inc. 2018 Stock Incentive Plan (as amended from time to time, the “Plan”). This Agreement shall be effective as of the date hereof (“Effective Date”).

1. **Award**.

(a) **Shares**. Pursuant to the Plan, the Company hereby grants to the Participant the right to receive ____________ (___,000) shares of the Company’s Common Stock upon the satisfaction of certain conditions (the “Restricted Stock Units”). Shares of the Company’s Common Stock shall be issued only upon vesting of the Restricted Stock Units and only upon the satisfaction of the terms and conditions set forth herein and in the Plan (such shares shall be referred to hereafter as the “Award Stock”).

(b) **Plan Incorporated**. Participant acknowledges receipt of a copy of the Plan, and agrees that this Award of Restricted Stock Units shall be subject to all of the terms and conditions set forth in the Plan, including future amendments thereto, if any, pursuant to the terms thereof, which Plan is incorporated herein by reference as a part of this Agreement.

2. **Restricted Stock Units**. Participant hereby accepts the Restricted Stock Units when issued and agrees as follows:

(a) Vesting. No Award Stock shall be issued pursuant to the unvested Restricted Stock Units. Except as otherwise provided for in the Plan and this Agreement, the Restricted Stock Units shall vest upon the satisfaction of the time-based vesting requirements set forth below (each, a “Time-Based Vesting Requirement”) provided that the Performance Criteria (as defined in Section 2(b)) is met:

Date	*Total Percentage Vested*
July 1, 2019 (“First Time Vesting Date”)	33-1/3%
July 1, 2020 (“Second Time Vesting Date”)	66-2/3%
July 1, 2021 (“Third Time Vesting Date”)	100%

There shall be no proportionate or partial vesting in the periods between the vesting dates and all vesting shall occur only on the aforementioned vesting dates.

(b) Performance Goal. Except as otherwise provided for in the Plan, the Employment Agreement (as hereinafter defined), and this Agreement, the Restricted Stock Units shall not vest unless and until the Company has, for any fiscal quarter in which the Restricted Stock Units are outstanding, (i) gross revenue determined in accordance with the Company's reviewed and or audited financial statements in excess of $7.0 million for such fiscal quarter, (ii) positive adjusted EBITDA, also as determined based on the Company's reviewed or audited financial statements for such fiscal quarter and reported on Company's Quarterly Reports on Form 10-Q or Annual Reports of Form 10-K and (iii) the Participant continues to provide services to the Company either as an employee, director or consultant on the last date of the quarter that the Performance Criteria is met (collectively, (i-iii), the "Performance Criteria"). Revenue and expenses from acquisitions made after the Effective Date and prior to the achievement of the Performance Criteria shall not be included in the determination of whether the Company has achieved the Performance Criteria.

(c) Termination of Employment or Other Service; Change in Control.

(i) General. Except as otherwise provided in this Agreement, if Participant's employment or other service with the Company terminates, all Restricted Stock Units unvested at the time of termination shall expire and be forfeited immediately and returned to the Company.

(ii) Death. In the event that the Participant dies while in the employment or other service of the Company, all Restricted Stock Units which have not vested on the date of death shall immediately vest.

(iii) Disability. In the event that the Participant's employment or other service with the Company is terminated by reason of Disability, the Committee may, in its sole discretion, provide that Restricted Stock Units which have not vested on the date of such termination shall immediately vest.

(iv) Change in Control. In the event of a Change in Control, all Restricted Stock Units which have not vested on the date of such Change in Control shall immediately vest.

(d) Transferability. The Restricted Stock Units may not be sold, assigned, pledged, exchanged, hypothecated or otherwise transferred, encumbered or disposed of unless the Plan so provides.

(e) Distribution. Within 10 business days of the Company satisfying the Performance Criteria, the Company's CFO shall provide a certification to the Company's Compensation Committee (the "CFO Certification) that the Performance Criteria have been met for the prior fiscal quarter and the name of each employee, director or consultant as of the last day of the prior fiscal quarter who have equity awards subject to the Performance Criteria. Unless otherwise provided in the Restricted Stock Unit Deferral Election Form attached hereto as Appendix A, the Company shall, subject to the Time-Based Vesting Requirements, deliver a certificate evidencing shares of Award Stock to the Participant, direct its transfer agent to register such shares in book entry form or directly to the Participant consistent with applicable laws: (i) if the Performance Criteria is achieved for the first time and the First Time Vesting Date has passed, within 10 days of the CFO Certification for the first, second, third and fourth fiscal quarters in a calendar year and no event later than seventy-five (75) days following the quarter ended; or (ii) if the Performance Criteria was previously achieved, within thirty (30) days following the satisfaction of the Time-Based Vesting Requirements. For purposes of clarification, if the Performance Criteria have been met for the first time after the Second Time Vesting Date and on or before the quarter ending associated with the Third Time Vesting Date, then Participant shall receive the number of Restricted Stock Units associated with all prior Time Vesting Dates. Notwithstanding the foregoing, if the Restricted Stock Units vest due to: (i) a Change in Control, the certificate evidencing shares of Award Stock shall be delivered immediately upon the Change in Control, or (ii) a termination of employment due to death or Disability, the certificate evidencing shares of Award Stock shall be delivered within thirty (30) days following such termination of employment. For the Restricted Stock Unit Deferral Election Form to be effective, it must be received by the Company on the Effective Date, or to the extent that none of the Restricted Stock Units vest within 12 months of the Effective Date, no later than 30 days following the Effective Date. The Company must achieve the Performance Criteria no later than the quarter ending during the Third Time Vesting Date to receive any distributions under this Restricted Stock Unit Agreement.

3. **Withholding**. To the extent that this Award or the delivery of any Award Stock causes the Participant to be subject to any tax withholding obligations, the Participant shall meet such obligations as provided for in the Plan.

4. **Status as a Shareholder**. Unless otherwise provided in the Plan, Participant shall have no rights of a shareholder with respect to the Restricted Stock Units until the Award Stock is issued to him or her pursuant to Section 2 above.

5. **Committee's Powers**. No provision contained in this Agreement shall in any way terminate, modify or alter, or be construed or interpreted as terminating, modifying or altering any of the powers, rights or authority vested in the Committee or, to the

extent delegated, in its delegate pursuant to the terms of the Plan or resolutions adopted in furtherance of the Plan, including, without limitation, the right to make certain determinations and elections with respect to the Restricted Stock Units.

6. **Binding Effect**. This Agreement shall be binding upon and inure to the benefit of any successors to the Company and all persons lawfully claiming under Participant.

7. **Governing Law**. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware.

8. **Miscellaneous**.

(a) Provisions of Plan and Other Agreements Control. This Agreement is subject to all the terms, conditions and provisions of the Plan, including, without limitation, the amendment provisions thereof, and to such rules, regulations and interpretations relating to the Plan as may be adopted by the Board and as may be in effect from time to time. The Plan is incorporated herein by reference. If and to the extent that this Agreement conflicts or is inconsistent with the terms, conditions and provisions of the Plan, the Plan shall control, and this Agreement shall be deemed to be modified accordingly. [Notwithstanding the foregoing, in the event of any conflict between the terms of this Agreement and the terms of the Employment Agreement between the Company and the Participant dated March 26, 2018 (the "Employment Agreement"), the terms of the Employment Agreement shall prevail.][1]

(b) No Third-Party Beneficiaries. This Agreement shall not confer any rights or remedies upon any person other than the parties and their respective successors and permitted assigns.

(c) Section 409A Compliance. It is intended that all compensation payable pursuant to this Agreement are exempt from or, alternatively, comply with Section 409A of the Code (and any legally binding guidance promulgated under Section 409A of the Code, including, without limitation, the Final Treasury Regulations) ("Code Section 409A"), and this Agreement will be interpreted, administered and operated accordingly. In the event that any provision of this Agreement is inconsistent with Code Section 409A or such guidance, then the applicable provisions of Code Section 409A shall supersede such inconsistent provision. Notwithstanding the foregoing, in no event will any of Company, its parent, or their respective subsidiaries, affiliates, or officers, directors, employees, or agents have any liability for failure of the form of this Agreement to be exempt from or comply with Code Section 409A and none of the foregoing guarantees that the form of this Agreement is exempt from or complies with Code Section 409A. For all purposes under Code Section 409A, Executive's right to receive any payments pursuant to this Agreement shall be treated as a right to receive a separate and distinct payment, and any payments to be made in installments shall be deemed to be a series of separate payments. Whenever a payment under this Agreement specifies a payment period with reference to a number of days, the actual date of payment within the specified period shall be within the sole discretion of Company. A termination of employment under this Agreement shall mean a "separation from service" under Code Section 409A. Notwithstanding any provisions of the Agreement to the contrary, to the extent the that Code Section 409A would cause an adverse tax consequence to the Participant, a Change in Control shall not be deemed to occur for purposes of this Agreement unless the Change in Control meets the definition ascribed to the phrase "Change in the Ownership or Effective Control of a Corporation or in the Ownership of a Substantial Portion of the Assets of a Corporation" under Treasury Department Regulation 1.409A-3(i)(5), as revised from time to time in either subsequent regulations or other guidance.

(d) Entire Agreement; Amendments. This Agreement (including the documents and exhibits referred to herein) and the Plan constitutes the entire agreement among the parties and supersedes any prior understandings, agreements, or representations by or among the parties, written or oral, that may have related in any way to the subject matter hereof. This Agreement may not be amended, supplemented, or modified in whole or in part except by an instrument in writing signed by the party or parties against whom enforcement of any such amendment, supplement, or modification is sought.

(e) Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same instrument.

ESS WHEREOF, the Company has caused this Agreement to be duly executed by an officer thereunto duly authorized, and the Participant has executed this Agreement, all as of the date first above written.

[1] Add applicable employment/service agreement reference, if recipient is party to an employment/service agreement. Delete sentence otherwise.

ED VIOLET, INC.

By:

Name:
Title:
Date:

PARTICIPANT

[INSERT]

____
Date:

APPENDIX A:
RED VIOLET, INC. 2018 STOCK INCENTIVE PLAN
RESTRICTED STOCK UNIT
DEFERRAL ELECTION FORM[2]

FOR THIS DEFERRAL ELECTION TO BE EFFECTIVE, IT MUST BE RECEIVED BY THE COMPANY ON THE EFFECTIVE DATE, OR TO THE EXTENT THAT NONE OF THE RESTRICTED STOCK UNITS VEST WITHIN 12 MONTHS OF THE EFFECTIVE DATE, NO LATER THAN 30 DAYS FOLLOWING THE EFFECTIVE DATE.

A. PARTICIPANT INFORMATION

Name: [INSERT]
Address:

B. DEFERRAL ELECTION

For each share of Common Stock to be issued to me pursuant to the Restricted Stock Unit Agreement effective __________, I hereby irrevocably elect to defer the receipt of such Common Stock as set forth below.

C. STOCK ISSUANCE DATE

As Restricted Stock Units vest under your Award, the Company will issue you shares of Common Stock with respect to such vested Restricted Stock Units following the satisfaction of such vesting requirements, in accordance with Section 2(e) of the Restricted Stock Unit Agreement, unless you timely elect to receive the shares at a different time. If you elect a different date, Common Stock will generally be issued to you on such date but only to the extent your Restricted Stock Units are vested and additional shares of Common Stock (if any) will be issued to you when any remaining Restricted Stock Units vest.

I hereby elect to receive my shares of Common Stock on the earlier of (check all that apply):

1. ☐ __________________________________ , 20____ ; (enter date)

2. ☐ my death;

3. ☐ my Disability (as defined in Code Section 409A);

4. ☐ a Change in Control (as defined in the Plan); and/or

5. ☐ my “separation from service” (as defined in Code Section 409A) with the Company.

To the extent you are a “specified employee” for purposes of Code Section 409A and to the extent Code Section 409A is applicable to deferral of receipt of Common Stock pursuant to this Deferral Election Form (the “Form”), notwithstanding any contrary provision which exists in the Plan or the Agreement, your distribution will be delayed for a period of 6 months as required by Code Section 409A

This Form is subject to all the terms, conditions and provisions of the Plan and the Agreement including, without limitation, the amendment provisions thereof. The Plan and the Agreement are incorporated herein by reference. If and to the extent that this Form conflicts or is inconsistent with the terms, conditions and provisions of the Plan or the Agreement, the Plan and the Agreement shall control, and this Form shall be deemed to be modified accordingly.

SIGNATURE:

___________________________________ _____/_____/_____
INSERT **Date**

2 Capitalized terms not defined herein shall have the meaning ascribed thereto in the Red Violet, Inc. 2018 Stock Incentive Plan (as amended to date, the “Plan”).

INSTRUCTIONS FOR
RED VIOLET, INC. 2018 STOCK INCENTIVE PLAN
DEFERRAL ELECTION FORM

This Form is to be used to defer receipt of shares of Common Stock that are issuable under the Plan in connection with Restricted Stock Units. The following instructions provide more information about the Form.

A. PARTICIPANT INFORMATION

Please complete all items.

B. DEFERRAL ELECTION

Please identify the Restricted Stock Units subject to this Form.

C. STOCK ISSUANCE DATE

You may elect the timing of the issuance of your Common Stock to be issued pursuant to the Restricted Stock Units by checking the first box and inserting a specific date in the future that you want such Common Stock issued to you. If you make such an election, you shall be issued Common Stock with respect to any Restricted Stock Units that are vested on the date you elect and shall receive any remaining shares of Common Stock with respect to any other Restricted Stock Units when they vest. Notwithstanding the date you elect to receive your shares of Common Stock, you may choose by checking the corresponding boxes to receive shares of Common Stock corresponding to any vested Restricted Stock Units earlier if and upon occurrence of any of the following events to the extent selected: (1) your death; (2) your Disability; (3) a Change in Control; or (4) a separation from service. If you make no election, the Company will issue you shares of Common Stock with respect to Restricted Stock Units following the satisfaction of such vesting requirements, in accordance with Section 2(e) of the Restricted Stock Unit Agreement.

Exhibit 31.1

CERTIFICATIONS

I, Derek Dubner, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of Red Violet, Inc.;

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

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

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

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

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

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

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

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

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

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

November 7, 2018

By: /s/ Derek Dubner
Derek Dubner
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Daniel MacLachlan, certify that:

(1) I have reviewed this Quarterly Report on Form 10-Q of Red Violet, Inc.;

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

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

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

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

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

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

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

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

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

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

November 7, 2018

By: /s/ Daniel MacLachlan
Daniel MacLachlan
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT
TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q of Red Violet, Inc. for the quarter ended September 30, 2018 (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge and belief, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Red Violet, Inc.

November 7, 2018

By: /s/ Derek Dubner
Derek Dubner
Chief Executive Officer
(Principal Executive Officer)

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes—Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Red Violet, Inc. or the certifying officers.

Exhibit 32.2

CERTIFICATION PURSUANT
TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the accompanying Quarterly Report on Form 10-Q of Red Violet, Inc. for the quarter ended September 30, 2018 (the "Report"), the undersigned hereby certifies pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, to my knowledge and belief, that:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Red Violet, Inc.

November 7, 2018

By: /s/ Daniel MacLachlan
Daniel MacLachlan
Chief Financial Officer
(Principal Financial Officer)

The certification set forth above is being furnished as an Exhibit solely pursuant to Section 906 of the Sarbanes—Oxley Act of 2002 and is not being filed as part of the Report or as a separate disclosure document of Red Violet, Inc. or the certifying officers.