

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

**FORM S-1  
REGISTRATION STATEMENT**  
*UNDER  
THE SECURITIES ACT OF 1933*

**Veritone, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

7370  
(Primary Standard Industrial  
Classification Code Number)  
575 Anton Blvd., Suite 900  
Costa Mesa, CA 92626  
(888) 507-1737

47-1161641  
(I.R.S. Employer  
Identification No.)

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

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**Approximate date of commencement of proposed sale to the public:**

As soon as practicable after this Registration Statement is declared effective.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, check the following box.

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  (Do not check if a smaller reporting company) 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 pursuant to Section 7(a)(2)(B) of the Securities Act.

**CALCULATION OF REGISTRATION FEE**

Title of Each Class of Securities to be Registered	Amount to be Registered (1)	Proposed Offering Price per Share (2)	Proposed Maximum Aggregate Offering Price (1)(2)	Amount of Registration Fee
Common Stock, par value of \$0.001 per share	920,000	\$25.455	\$23,418,600	\$2,916

(1) Includes an aggregate of 120,000 shares of common stock issuable upon exercise of the underwriters' option to purchase shares of our common stock to cover over-allotments, if any.

(2) Estimated solely for the purpose of calculating the registration fee and based upon the average of the high and low prices of the Registrant's common stock as reported on The NASDAQ Global Market on November 14, 2017, in accordance with Rule 457(c) under the Securities Act of 1933, as amended.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the Registration Statement shall become effective on such date as the Commission acting pursuant to said Section 8(a), may determine.

[Table of Contents](#)

The information in this prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This prospectus is not an offer to sell these securities and is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

SUBJECT TO COMPLETION, DATED NOVEMBER 15, 2017

PRELIMINARY PROSPECTUS

800,000 Shares



We are offering 800,000 shares of our common stock. Our common stock is listed on The NASDAQ Global Market, or NASDAQ, under the symbol “VERI.” On November 14, 2017, the last reported sale price of our common stock on NASDAQ was \$28.98 per share.

We are an “emerging growth company” as defined by the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As such, we have elected to comply with certain reduced public company reporting requirements for this prospectus and future filings. See “Prospectus Summary—Implications of Being an Emerging Growth Company.”

Investing in shares of our common stock involves a high degree of risk. See “[Risk Factors](#)” beginning on page 13 of this prospectus.

	Price to Public	Underwriting Discounts and Commissions (1)	Proceeds to Us, Before Expenses
Per Share	\$	\$	\$
Total	\$	\$	\$

(1) See “Underwriting” beginning on page 127 of this prospectus for additional information regarding the total compensation to be paid to the underwriters.

We have granted an over-allotment option to the underwriters. Under this option, the underwriters may elect to purchase a maximum of 120,000 additional shares of common stock from us at the public offering price, less underwriting discounts and commissions, within 30 days following the date of this prospectus to cover over-allotments.

We are a “controlled company” under the listing requirements of NASDAQ, or the NASDAQ Marketplace Rules, which entitle us to rely on certain exemptions from NASDAQ’s corporate governance requirements.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares of our common stock to purchasers on or about \_\_\_\_\_, 2017.

*Joint Book-Running Managers*

**Roth Capital Partners**

**Craig-Hallum Capital Group**

The date of this prospectus is \_\_\_\_\_, 2017

TABLE OF CONTENTS

	<u>Page</u>
<a href="#">Prospectus Summary</a>	1
<a href="#">Risk Factors</a>	13
<a href="#">Cautionary Note Regarding Forward-Looking Statements</a>	36
<a href="#">Use of Proceeds</a>	37
<a href="#">Market for Common Stock and Related Stockholder Information</a>	38
<a href="#">Dividend Policy</a>	39
<a href="#">Capitalization</a>	40
<a href="#">Dilution</a>	42
<a href="#">Selected Consolidated Financial Data</a>	44
<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	46
<a href="#">Business</a>	71
<a href="#">Management</a>	86
<a href="#">Executive Compensation</a>	94
<a href="#">Certain Relationships and Related Party Transactions</a>	108
<a href="#">Principal Stockholders</a>	115
<a href="#">Description of Capital Stock</a>	117
<a href="#">Material U.S. Federal Income Tax Consequences to Non-U.S. Holders</a>	123
<a href="#">Underwriting</a>	127
<a href="#">Legal Matters</a>	131
<a href="#">Experts</a>	131
<a href="#">Where You Can Find More Information</a>	131
<a href="#">Index to Financial Statements</a>	F-1

In considering whether to purchase shares of our common stock, you should rely only on the information contained in this prospectus or in any free writing prospectus we may file with the Securities and Exchange Commission, or the SEC. Neither we nor the underwriters have authorized anyone to provide you with any information, or to make any representations, other than those contained in this prospectus or in any free writing prospectuses we file with the SEC. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may provide to you. The information in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus, or any free writing prospectus, as the case may be, or any sale of shares of our common stock. Our business, financial condition, results of operations and prospects may have changed after that date.

For investors outside the United States: We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. Neither we nor the underwriters have done anything that would permit this offering or possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in the United States. Persons outside the United States who come into possession of this prospectus must inform themselves about, and observe any restrictions relating to, the offering of the shares of common stock and the distribution of this prospectus outside the United States.

The representations, warranties and covenants made by us in any contract or other document that is filed as an exhibit to the registration statement of which this prospectus is a part were made solely for the benefit of the parties to such contract, or other document, including, in some cases, for the purpose of allocating risk among the parties to such contract or other document, and should not be deemed to be a representation, warranty or covenant made to you or for your benefit. Moreover, such representations, warranties or covenants were accurate only as of the date they were made, as set forth in the relevant contract or document. Accordingly, such representations, warranties and covenants should not be relied on as accurately representing the current state of our business, financial condition, operations or prospects.

### **Trademarks**

This prospectus includes references to our trademarks, trade names and service marks, such as Veriton®, Veritone Platform™, Veritone One™, aiWARE™, Conductor™, Veritone eDiscovery™, Veritone Legal™ and Veritone Politics™, which are protected under applicable intellectual property laws and are our property. This prospectus also contains references to trademarks, trade names and service marks of other companies, which are the property of their respective owners. Solely for convenience, trademarks and trade names referred to in this prospectus may appear without the ®, TM or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, trade names and service marks. We do not intend our use or display of other parties' trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties.

### **Market, Industry Data and Other Data**

Unless otherwise indicated, information contained in this prospectus concerning our industry and the markets in which we operate is based on information from independent industry and research organizations and other third-party sources (including industry publications, surveys and forecasts), as well as management estimates. Management estimates are derived from publicly available information released by independent industry analysts and third-party sources, as well as data from our internal research, and are based on assumptions made by us upon reviewing such data and our knowledge of such industry and markets, which we believe to be reasonable. Although we believe the data from these third-party sources is reliable, we have not independently verified any third-party information. In addition, projections, assumptions and estimates of the future performance of the industry in which we operate and our future performance are necessarily subject to uncertainty and risk due to a variety of factors, including those described in "Risk Factors." These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

Certain monetary amounts, percentages and other figures included in this prospectus have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables or charts may not be the arithmetic aggregation of the figures that precede them, and figures expressed as percentages in the text may not total 100% or, if applicable, when aggregated may not be the arithmetic aggregation of the percentages that precede them.

## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus. This summary does not contain all of the information you should consider before investing in our common stock. You should read this entire prospectus carefully, including the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes appearing at the end of this prospectus, before making an investment decision. Unless otherwise indicated herein, references in this prospectus to “Veritone,” the “Company,” “we,” “us” and “our” refer to Veritone, Inc., a Delaware corporation, together with its consolidated subsidiaries. References herein to “fiscal year” refer to our fiscal years, which end on December 31.*

### **Company Overview**

We have developed a proprietary artificial intelligence, or AI, platform that unlocks the power of cognitive computing to transform audio, video and other unstructured data and analyze it in conjunction with structured data in a seamless, orchestrated and automated manner to generate actionable intelligence. Our AI operating system, aiWARE, integrates and orchestrates an open ecosystem of best-of-breed cognitive engines, together with our suite of powerful applications, to reveal valuable multivariate insights from vast amounts of structured and unstructured data.

Our aiWARE platform incorporates proprietary technology to manage and integrate a wide variety of AI processes to mimic human cognitive functions such as perception, reasoning, prediction and problem solving in order to quickly, efficiently and cost effectively transform unstructured data into structured data. It stores the results in a searchable, time-correlated database, creating a rich, online, searchable index of the structured and unstructured data, enabling users to analyze the information in near real-time to drive business decisions and insights.

Our mission is to bring the power of AI-based computing to enterprises of all sizes through a technical architecture that integrates multiple cognitive engine capabilities in a single platform that is licensed to our customers through a Software-as-a-Service, or SaaS, model. Our scalable platform is based on an open architecture that enables new cognitive engines and applications to be added quickly and efficiently, resulting in a future proof, scalable and evolving solution that can be easily leveraged in a broad range of industries that capture or use audio, video and other unstructured data, including, without limitation, media, politics, legal, government, retail, and other vertical markets.

### **Industry Background**

According to Gartner, Inc., 80% of the world’s data is unstructured and cannot be easily and efficiently searched, accessed or utilized. Unstructured data continues to grow at an accelerating rate and represents the vast majority of all data created, with 90% of the world’s data being created in the past two years. International Data Corporation, or IDC, predicts that the total amount of digital data created worldwide will double every two years, from 4.4 zettabytes in 2013 to 44 zettabytes in 2020. Enterprises, including businesses and government agencies, recognize the utility of leveraging this rapid proliferation of data and are turning to AI and analytics to increase their capabilities and efficiency. However, these enterprises lack the proper tools to collect and analyze the rapidly growing variety, velocity and volume of data in real-time.

According to IDC, the worldwide revenue from the market for cognitive systems and AI is expected to grow from approximately \$8 billion in 2016 to more than \$47 billion in 2020. We believe that our platform and related services address a subset of the overall AI market. AI systems, particularly cognitive systems based upon machine and deep learning, are increasingly being designed to adapt and make sense of the complexity and

unpredictability of unstructured data, such as text, audio and video. Deep learning enables computers to discern patterns in large sets of data without being told what to look for. These machine learning algorithms can perform a wide range of functions, such as “reading” text, “seeing” images and “hearing” natural speech, and in turn interpret that information, organize it and offer explanations of what it means, along with the rationale, conclusions and applicable recommendations for such information. These systems can also improve the accuracy of their results with training and use. However, current machine learning algorithms are generally only effective when applied to a single, narrowly defined problem, which limits the amount and type of metadata that can be extracted and the nature of inquiries and analyses that can be performed, and therefore limits the usefulness of any single cognitive engine in real-world applications. For companies looking to harness the power of their unstructured data, this presents significant challenges. Many applications require multiple cognitive processes to be performed on unstructured data, and for the results to be correlated with structured data of the user or third parties. In addition, identifying the best algorithm to perform each task can be very challenging as both the user’s needs and the relative performance of algorithms change over time, and switching algorithms within a closed system can be expensive and time consuming.

#### **Our Solution**

Our innovative AI-based open platform intelligently orchestrates multiple best-of-breed cognitive engines within a single software solution to process information in volumes that can far exceed human cognitive capabilities. Our proprietary technology enables users to run comprehensive, multivariate queries, correlations and analyses in near real-time using multiple cognitive engines and data sets, creating integrated and refined outputs. This enables our users to gain more accurate and in-depth analysis, more efficiently and cost effectively than any single engine solution. Our solution can also ingest and analyze structured data in correlation with the processed data. For example, our media users can use our system to identify instances where advertiser names or logos appear in a broadcast, and then correlate those instances with Nielsen data to measure the number of impressions generated by the ad, web traffic data to estimate the traffic driven by the ad, or their own sales data, to provide actionable intelligence regarding their advertising campaigns.

Our innovative AI ecosystem currently incorporates over 120 cognitive engines of various classes and types, from multiple vendors, including Google, IBM, Microsoft, Nuance, Amazon and Hewlett Packard Enterprise Company (HPE), among others, in addition to several of our own proprietary cognitive engines. These engines use advanced algorithms to capture and extract data from media files for a variety of cognitive capabilities including transcription, face detection, face recognition, object recognition, sentiment analysis, language translation, audio/video fingerprinting, geolocation, optical character recognition, metadata extraction, and media format transcoding. Our applications then allow users to perform analytics on this data. By having a number of engines from different providers within the same class, we are able to benchmark the engines to identify the optimal engine for the user’s needs and in some cases use them together to provide better overall accuracy than any single engine can achieve. In addition, by having a variety of different engines across the same class and different classes, aiWARE can generate extensive and varied training data to more efficiently learn and thereby quickly improve the accuracy of analyses. A key principle of AI-based systems is that the more data that is ingested and processed, the better the accuracy and predictive value they can achieve.

#### **Our Competitive Strengths**

Our key competitive strengths include the following:

**Proprietary Conductor Technology.** Our Conductor technology optimizes the cognitive engine selection process by periodically evaluating the cost, speed and accuracy of each engine to improve results and achieve higher levels of cognition. Our Conductor technology is designed to intelligently route media to the most appropriate cognitive engine(s) within chosen engine classes, and can also orchestrate the combination and

sequencing of multiple engines, to produce robust intelligence from the user's structured and unstructured data. We have released our intra-class Conductor technology for transcription and plan to deploy Conductors for other cognitive engine classes, such as object and logo recognition. Because we maintain proprietary data on the relative performance of each cognitive engine in our ecosystem, we believe that, in the near future, we will be able to automatically select, in near real-time, the best engines in each major cognitive class to deploy based upon our automated review of the data being processed, including any metadata therein. In addition, we believe that, in the future, the application of our proprietary inter-class Conductor technology will enable our aiWARE platform to derive contextual meaning from one cognitive class, such as object recognition, and apply this understanding to other classes of cognition, including transcription and facial recognition.

**Broad Indexing and Search Capabilities.** Utilizing our proprietary temporal elastic database, or TED, we have the unique ability to synthesize various disparate data sets in a cohesive, time-based format, allowing users to unearth intelligence from the data that was previously unattainable. One of our applications, Veritone Discovery, allows for immediate access to data through dynamic, multivariate querying of various metadata derived from the original data. Elements include, but are not limited to, cognitive engine outputs (such as transcripts, translations, recognized objects and faces), file metadata and user-associated metadata such as content template outputs and freeform tags, as well as appended structured data such as media viewing data, web traffic data, sales data and crime statistics. These disparate data sets are indexed in TED in a time-correlated manner, allowing them to be synthesized using a cohesive, time-based approach. While storage agnostic, TED currently runs on Elasticsearch, leveraging the Apache Lucerne inverted index architecture.

**One Open, Integrated Multi-Cognitive Platform.** Our open platform allows third-party AI engines to be easily integrated onto our platform and to participate in our AI marketplace via standard application programming interfaces, or APIs. We currently offer over 120 cognitive engines on our platform across most major classes of AI. Our goal is to create a broad ecosystem offering all major cognitive engine capabilities on a single open and integrated platform. aiWARE's architecture enables our customers to aggregate multiple data sources, utilize varying third-party cognitive engines to process their data and correlate the disparate metadata produced by those engines, as well as structured data sources, and analyze, capture and share the results without leaving their Veritone user session. As our business expands, we plan to increase the number of supported instances of our platform within public cloud, private cloud and on-premises environments, and to make the platform accessible across multiple geographies and deployment models. We recently launched our developer portal, which enables cognitive engine developers, custom application developers and data product developers to access our APIs and developer toolkit to rapidly integrate their software onto our aiWARE platform.

**Cloud Agnostic.** Our platform architecture allows it to be deployed on any of the leading cloud computing and storage services. Currently, our cloud-based platform is hosted on Amazon Web Services, or AWS', cloud. We have also recently deployed our platform to run on Microsoft Azure's secure government cloud, and we are in the process of deploying it to AWS' secure government cloud, which enables us to address the needs of government customers, including the law enforcement and public safety markets. Over time, we expect to deploy our platform on a variety of cloud infrastructures and within varying geographic regions and countries, which will be necessary as we expand our international operations in the future.

**Ability to Operate On-Premises.** We recently launched a hybrid on-premise/cloud version of aiWARE that allows users to conduct cognitive processing using certain engines (initially speech-to-text transcription, optical character recognition and object detection) on a network-isolated basis behind the user's firewall, so that only the metadata produced by those engines needs to be moved outside of the user's network. This version is ideal for users who want their content to remain on their secure network for security or transmission cost reasons. In the future, we expect aiWARE to permit users to store metadata on-premises as well, enabling a secure, end-to-end cognitive computing platform.

**Modular and Industry Specific Applications.** Our modular platform is designed to enable our customers, partners and developers to rapidly develop and deploy applications that can convert customer data into actionable insights that are relevant to the specific needs of different markets. We have successfully created and demonstrated several use cases for our media, politics and legal applications, which enable customers to solve difficult problems such as programmatic ad verification, tracking audience measurement correlations, transcribing and translating recorded telephone calls in multiple languages, and finding, selecting, and editing long-form media content into short-form media shareable via social media.

#### **Our Growth Strategies**

We plan to expand our market presence and business by pursuing the following growth strategies:

- **Expand Revenues and Gain Broad Market Acceptance for Our SaaS Solutions.** We plan to expand our sales and marketing capabilities and brand campaign, both in the United States and internationally, to aggressively pursue wider recognition of our technology capabilities.
- **Increase Penetration in Existing Markets.** We plan to continue to align with leading providers in our existing markets and enhance our relationships with them to expand our revenues and grow our SaaS offerings in such markets.
- **Expand into Other Vertical Markets.** We plan to increase our investment in sales and marketing to drive greater awareness and adoption of our platform in other vertical markets.
- **Continue Significant Investment in our Technology Platform.** We plan to continue to invest in enhancing our software capabilities and extending our platform to bring the power of cognitive processing to a broader range of client applications, with expanded functionality and capabilities.
- **Selectively Pursue Acquisitions and Strategic Investments.** We plan to selectively pursue acquisitions and strategic investments in businesses and technologies that strengthen our platform, enhance our capabilities and/or expand our market presence in our core vertical markets.

#### **Our Target Markets**

While AI can be applied to a myriad of industries and functions, we have initially targeted a few key markets where users generate large amounts of unstructured audio and video data, and where we believe that our platform has the potential to unlock the power of that data to significantly improve the efficiency and effectiveness of their operations.

- **Media.** We initially applied our platform to our legacy media agency business to help advertisers optimize their advertising budgets across media using near real-time ad verification and media analytics. We have expanded these capabilities to provide media owners and broadcasters the same visibility on ad placements and the effectiveness of their media campaigns via a SaaS model. We have licensed our AI platform to several leading radio broadcasters, who use our solution to automatically index, organize and optimize their use of their media content, as well as to give their advertisers better visibility regarding ad placements and the effectiveness of their media campaigns. During 2017, we have signed license agreements with a leading national news and sports radio network, a major financial news television network, and the largest operator of radio stations in the United States, among others.
- **Politics.** Political parties, consultants, political action committees, trade organizations, lobbyists, special interest groups and candidates can use our platform to search and analyze vast amounts of unstructured public and private media. Our platform allows such users to quickly obtain valuable research on candidates' positions and prior statements on key issues, to identify inconsistencies, to understand local sentiment and to assist in communications with voters.



- **Legal.** Our platform provides a new dimension to the eDiscovery market, where the ability to analyze large amounts of audio, video and structured data can play a critical role in litigation success. Our platform enables legal professionals to gain real-time access to analyze vast amounts of voice mails, recorded telephone calls, video depositions, and other digital media at a fraction of the cost of other solutions. In the first quarter of 2017, we completed the integration of our platform with Relativity, an industry-leading eDiscovery software platform, enabling users to perform large-scale, automated analytics of audio and video files within the Relativity environment. As of September 30, 2017, we have also entered into reseller agreements with 35 major providers of eDiscovery services and solutions, pursuant to which they have begun marketing our platform and capabilities to law firms nationwide.
- **Government.** This is our newest vertical market. We are in the process of deploying our platform on Microsoft Azure's and AWS' secure government clouds to enable police departments and other government authorities to gain insight from the large and growing amount of data they accumulate on a daily basis, including from police body cameras, police car recorders, 911 audio tapes, surveillance cameras and a variety of other digital media technologies. We are actively engaged in discussions with various state and local law enforcement agencies to provide access to our SaaS solutions.
- **Other Vertical Markets and Applications.** We are currently exploring the use of our platform for a variety of other markets, including commercial security and retail, to provide users with insight into the large volumes of unstructured data, such as security footage from CCTV systems, produced by their operations. In addition, we are exploring the applications for our technology within the data storage and management markets. In April 2017, we entered into an agreement with Quantum, Inc., or Quantum, a leading provider of scaled enterprise storage solutions, to integrate our platform with Quantum's storage products, to enable users to perform AI-based processing on their media files on-premises, behind their firewall, using certain engines (initially speech-to-text transcription, optical character recognition and object detection). In August 2017, Quantum began shipping storage products to customers with our hybrid on-premise/cloud version of aiWARE installed.

#### **Development of Our AI Platform Business**

Since our inception, we have generated substantially all of our revenues from our media placement services performed under advertising contracts with our media clients, which we refer to as our Media Agency Business. We are in the early stages of developing our AI platform and SaaS licensing business, which we refer to as our AI Platform Business, and have not generated significant revenue from this business. During the years ended December 31, 2016 and 2015, our net revenues were \$8.9 million and \$13.9 million, respectively, which consisted of \$8.4 million and \$13.8 million, respectively, of net revenues from our Media Agency Business and \$0.5 million and less than \$0.1 million, respectively, from our AI Platform Business. During the nine month periods ended September 30, 2017 and 2016, our net revenues were \$10.9 million and \$6.4 million, respectively, which consisted of \$9.9 million and \$6.2 million, respectively, of net revenues from our Media Agency Business and \$1.0 million and \$0.2 million, respectively, from our AI Platform Business.

We intend to continue to invest significant resources and capital in developing our AI Platform Business, and therefore, we do not expect to achieve profitability for the foreseeable future. Our objective is to manage our resources so that we can continue to develop a successful AI Platform Business that generates significant increases in net revenues and establishes us as the leader in the cloud-based AI market, while at the same time maintaining and expanding our Media Agency Business by acquiring new customers and adding additional media placement contracts.

### **Summary Risk Factors**

Our business is subject to numerous risks and uncertainties of which you should be aware before you decide to invest in our common stock. These risks may prevent us from achieving our business objectives, and may materially and adversely affect our business, financial condition, results of operations and prospects. These risks are discussed in greater detail in the section entitled “Risk Factors” beginning on page 13 of this prospectus. Some of these risks are:

- Most of our revenues are currently generated from our Media Agency Business, and our effort to expand our AI Platform Business may be expensive and may not succeed;
- The AI market represents a new and unproven opportunity of uncertain size, and it may decline or experience limited growth;
- Our competitors may acquire third-party technologies used by our platform, which could result in them blocking us from using the technology, increasing the cost of such technologies or offering such technologies for free to the public;
- Our continuous access to public media may be restricted, disrupted or terminated, which would reduce the effectiveness of our platform;
- We may not be able to develop a strong brand for our platform and increase market awareness of our company and platform;
- We may not be able to expand the capabilities of our proprietary Conductor technology to, for example, optimize our platform for other classes of cognitive engines, or operate on an inter-class basis;
- We may not be able to expand the number of cognitive engines in different classes that can operate in a network isolated manner, which would limit the capabilities of our hybrid on-premise/cloud version of aiWARE;
- Our quarterly results may fluctuate significantly, which may negatively impact the value of our common stock;
- The success of our business depends on our ability to introduce new products and to expand within our current markets and into new markets in a cost-effective manner;
- We currently generate significant revenue from a limited number of key customers and the loss of any of our key customers may harm our business;
- We rely on third-party providers to operate our platform and handle any disruption of or interference with such service, and to develop cognitive engines and the related APIs for our site; and
- We have had a history of losses, and we may be unable to achieve or sustain profitability, or obtain additional capital to fund our operations on a timely basis, on reasonable terms or at all.

### **Implications of Being an Emerging Growth Company**

We are an “emerging growth company,” as defined in the JOBS Act, and are eligible to take advantage of certain exemptions from various reporting requirements and may be relieved of other significant requirements that are otherwise generally applicable to other public companies that are not emerging growth companies. These exemptions include, but are not limited to:

- reduced disclosure obligations with respect to financial data, including presenting only two years of audited financial statements and only two years of selected financial data in the registration statement on Form S-1, of which this prospectus is a part;

- reduced disclosure obligations regarding executive compensation in our periodic reports, proxy statements and registration statements;
- an exemption from compliance with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, in the assessment of our internal control over financial reporting; and
- exemptions from the requirements to hold a non-binding advisory vote on executive compensation and the requirement to obtain stockholder approval of any golden parachute payments not previously approved.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company upon the last day of the fiscal year following the fifth anniversary of our initial public offering, if we have more than \$1.07 billion in annual revenue, we are deemed to be a large accelerated filer under rules of the SEC, or we issue more than \$1.0 billion of non-convertible debt over a three-year period. We have taken advantage of certain reduced reporting burdens in this registration statement, of which this prospectus is a part, and may elect to take advantage of some or all of the reduced reporting requirements in our future filings. As a result, the information contained herein and that we provide to our stockholders in the future may be different than the information you receive from other public companies in which you hold stock.

In addition, Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, or the Securities Act, for complying with new or revised accounting standards. In other words, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of such extended transition period. Section 107 of the JOBS Act provides that we can elect to opt out of the extended transition period at any time, which election is irrevocable.

#### **Voting Agreement**

In connection with the investment by Acacia Research Corporation, or Acacia, in our securities in August 2016, we entered into a voting agreement, or the Voting Agreement, with Acacia and certain stockholders, which we refer to as the Holders, including entities affiliated with Chad Steelberg, our Chief Executive Officer, and Ryan Steelberg, our President. Pursuant to the Voting Agreement, our Board of Directors, or the Board, consists of a total of nine authorized directors. Until May 17, 2019, or the Voting Period, Acacia has the right to nominate three directors to our Board, and the Holders, voting together as a group, have the right to nominate six directors to our Board. Messrs. Chad Steelberg and Ryan Steelberg, who we refer to as the Founders, currently beneficially own the majority of the voting shares of capital stock held by the Holders, and accordingly, are able to designate all six of the Holders' director nominees. During the Voting Period, Acacia and the Holders have agreed to vote all of their shares to elect the nine directors nominated by them pursuant to the Voting Agreement. In addition, each of Acacia and the Holders has the right to appoint three designees to attend and participate in the meetings of our Board in a non-voting capacity.

#### **Controlled Company**

As a result of the Voting Agreement, Acacia and the Holders are able to designate and elect all nine of the directors on our Board until May 17, 2019. As a result, we are a "controlled company" under the NASDAQ Marketplace Rules, which entitles us to rely on certain exemptions from NASDAQ's corporate governance requirements. See "Management—Controlled Company."

**Recent Developments**

In May 2017, we completed the initial public offering of our common stock. In connection with our initial public offering, we issued 2,500,000 shares of our common stock at a price to the public of \$15.00 per share. Our shares of common stock began trading on the NASDAQ Capital Market on May 12, 2017, and on the NASDAQ on May 15, 2017. As a result of our initial public offering, we received approximately \$32.6 million in net proceeds, after deducting underwriting discounts, commissions and offering costs of approximately \$4.9 million.

**Company Information**

We were incorporated as a Delaware corporation on June 13, 2014 under the name Veritone Delaware, Inc., and changed our name to Veritone, Inc. on July 15, 2014. Our corporate headquarters are located at 575 Anton Boulevard, Suite 900, Costa Mesa, California 92626. Our telephone number is (888) 507-1737. Our principal website address is [www.veritone.com](http://www.veritone.com). The information provided on, or accessible through, our website is not a part of this prospectus, nor is such information incorporated by reference herein, and such information should not be relied upon in determining whether to make an investment in our common stock.

**THE OFFERING**

Common stock offered by us	800,000 shares
Common stock to be outstanding after this offering	15,756,322 shares
Underwriters' option to purchase additional shares of common stock from us	We have granted to the underwriters an option to purchase up to an additional 120,000 shares of our common stock, which is exercisable by the underwriters at any time within 30 days following the date of this prospectus to cover over-allotments.
Use of proceeds	<p>We estimate that we will receive net proceeds from the sale of common stock in this offering of approximately \$21.3 million (or approximately \$24.6 million if the underwriters exercise in full their option to purchase additional shares of our common stock), based on an assumed public offering price of \$28.98 per share (which was the last reported sale price of our common stock as reported on NASDAQ on November 14, 2017), and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.</p> <p>The principal purposes of this offering are to increase our capitalization and financial flexibility. We currently intend to use the net proceeds from this offering for working capital or other general corporate purposes. In addition, we may use a portion of net proceeds of this offering to acquire or invest in complementary businesses, services, technologies or intellectual property rights. We do not have any agreements or commitments with respect to any material acquisitions or investments at this time. See "Use of Proceeds" on page 37 for additional information.</p>
NASDAQ Global Market symbol	"VERI"
Risk factors	Investing in shares of our common stock involves a high degree of risk. See "Risk Factors" beginning on page 13 of this prospectus for a discussion of factors you should carefully consider before investing in shares of our common stock.
The number of shares of our common stock to be outstanding after this offering is based upon 14,956,322 shares of our common stock outstanding as of September 30, 2017, and excludes:	
	<ul style="list-style-type: none"><li>• 4,362,592 shares of our common stock issuable upon exercise of stock options outstanding as of September 30, 2017 under our 2014 Stock Option/Stock Issuance Plan, as amended, or the 2014 Plan, at a weighted-average exercise price of \$13.21 per share;</li><li>• 199,350 shares of our common stock issuable upon exercise of stock options outstanding as of September 30, 2017 under our 2017 Stock Incentive Plan, or the 2017 Plan, at a weighted-average exercise price of \$8.24 per share;</li></ul>

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[Table of Contents](#)

- 35,576 shares of our common stock issuable upon the vesting of restricted stock units outstanding as of September 30, 2017 under the 2017 Plan;
- 1,752,482 shares of our common stock reserved for future grants under the 2017 Plan;
- 1,000,000 shares of our common stock reserved for future issuance under our 2017 Employee Stock Purchase Plan, or the ESPP; and
- 1,524,573 shares of our common stock issuable upon exercise of warrants outstanding as of September 30, 2017 at a weighted average exercise price of \$12.71 per share.

Unless otherwise indicated, all information contained in this prospectus assumes:

- no exercise by the underwriters of their option to purchase additional shares of our common stock; and
- no issuances of options, warrants, convertible debt securities or shares of our common stock after September 30, 2017, and no exercises of any outstanding options or other warrants after September 30, 2017.

**Summary Consolidated Financial Data**

You should read the following summary consolidated financial data together with the more detailed information contained in “Selected Consolidated Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the accompanying notes appearing elsewhere in this prospectus. The following tables set forth our summary consolidated financial data as of the dates and for the periods indicated below. The summary consolidated statements of operations data for the years ended December 31, 2016 and 2015 have been derived from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary unaudited consolidated statement of operations data for the nine months ended September 30, 2017 and 2016 and our unaudited consolidated balance sheet data as of September 30, 2017 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements were prepared on a basis consistent with our annual financial statements and include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for the fair statement of the financial information contained in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future, and our interim results are not necessarily indicative of the results to be expected for the full year or any other period.

	Year Ended December 31,		Nine Months Ended September 30,	
	2016	2015	2017	2016
	(in thousands, except share and per share data)			
<b>Consolidated Statements of Operations Data:</b>				
Net revenues	\$ 8,911	\$ 13,928	\$ 10,914	\$ 6,408
Cost of revenue	1,577	1,860	824	1,067
Gross profit	7,334	12,068	10,090	5,341
Operating expenses:				
Sales and marketing	8,279	5,735	9,689	5,688
Research and development	7,900	4,633	9,613	5,357
General and administrative	14,935	7,990	24,722	10,723
Total operating expenses	31,114	18,358	44,024	21,768
Loss from operations	(23,780)	(6,290)	(33,934)	(16,427)
Other income (expense), net	(3,193)	85	(12,872)	(1,483)
Loss before provision for income taxes	(26,973)	(6,205)	(46,806)	(17,910)
Provision for income taxes	6	5	5	5
Net loss	\$ (26,979)	\$ (6,210)	(46,811)	(17,915)
Accretion of redeemable convertible preferred stock	(3,204)	(3,330)	(4,470)	(2,383)
Net loss attributable to common stockholders	\$ (30,183)	\$ (9,540)	\$ (51,281)	\$ (20,298)
<b>Per Share Data:</b>				
Net loss per share attributable to common stockholders, basic and diluted	\$ (14.59)	\$ (6.73)	\$ (5.94)	\$ (10.37)
Weighted average shares used to compute basic and diluted net loss per share	2,068,334	1,416,732	8,640,178	1,957,596

[Table of Contents](#)

	<u>As of September 30, 2017</u>	
	<u>As</u>	
	<u>Actual</u>	<u>Adjusted (1)</u>
	<u>(in thousands)</u>	
<b>Consolidated Balance Sheet Data (unaudited):</b>		
Cash and cash equivalents	\$20,762	\$ 42,055
Working capital	\$46,673	\$ 67,966
Total assets	\$79,682	\$ 100,975
Total liabilities	\$31,850	\$ 31,850
Total stockholders' equity	\$47,832	\$ 69,125

- (1) The as adjusted column in the consolidated balance sheet data table above gives effect to the sale and issuance by us of 800,000 shares of our common stock in this offering at an assumed public offering price of \$28.98 per share (which was the last reported sale price of our common stock as reported on NASDAQ on November 14, 2017), and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.



## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should carefully consider the following information about these risks, together with the other information appearing elsewhere in this prospectus, including our consolidated financial statements, the notes thereto and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," before deciding to invest in our common stock. The occurrence of any of the following risks could have a material and adverse effect on our business, reputation, financial condition, results of operations and future growth prospects, as well as our ability to accomplish our strategic objectives. As a result, the trading price of our common stock could decline and you could lose all or part of your investment. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also impair our business operations and stock price. Certain statements contained in this section constitute forward-looking statements. See the information included in "Cautionary Note Regarding Forward-Looking Statements."*

### **Risks Related to Our Business, Industry and Financial Condition**

***Most of our revenues are currently generated by our Media Agency Business, and our effort to expand our AI Platform business may not succeed.***

In the first nine months of 2017 and fiscal years 2016 and 2015, most of our revenues were advertising-related revenues generated from media placement services performed under advertising contracts with our media clients. We typically receive a percentage of the total advertising placement by these customers with selected media sources. We did not commence licensing of our AI platform until April 2015, and SaaS licensing revenue from our AI platform was \$1.0 million in the nine months ended September 30, 2017, \$0.5 million for the year ended December 31, 2016 and less than \$0.1 million for the year ended December 31, 2015. In order for us to grow our business and achieve profitability, we must expand our revenue base by ramping up our SaaS licensing business and entering into additional licensing agreements. However, we are currently in the early stages of developing our SaaS licensing business, and we may not be able to succeed with respect to these efforts.

Many factors may adversely affect our ability to establish a viable and profitable SaaS licensing business, including but not limited to:

- Failure to add cognitive engines with sufficient levels of capability into our platform, difficulties integrating cognitive engines, or loss of access to cognitive engines;
- Inability to expand the automation capabilities of our Conductor technology to other types of cognitive engines;
- Inability to expand the number of cognitive engines in different classes that can operate in a network isolated manner, which would limit the capabilities of our hybrid on-premise/cloud version of aiWARE;
- Failure to add market-specific capabilities and analytics for each of our vertical markets;
- Failure to articulate the perceived benefits of our solution, or failure to persuade potential customers that such benefits justify the additional cost over competitive solutions or technologies;
- Introduction of competitive offerings by larger, better financed and more well-known companies;
- Inability to enter into satisfactory agreements relating to the integration of our platform with products of other companies to pursue particular vertical markets, or the failure of such relationships to achieve their anticipated benefits;
- Failure to provide adequate customer support;
- Long sales cycles for customers in the government and law enforcement markets;
- Failure to generate broad customer acceptance of or interest in our solutions;

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## Table of Contents

- Increases in costs or lack of availability of certain cognitive engines;
- Challenges in operating our platform on secure government cloud platforms;
- Inability to continue to access public media for free;
- Higher data storage and computing costs; and
- Difficulties in adding technical capabilities to our platform and ensuring future compatibility of additional third party providers.

If we fail to develop a successful SaaS licensing business, or if we are unable to ramp up our SaaS operations in a timely manner or at all, our business, results of operations and financial condition will suffer and you may lose all or part of your investment in this offering.

***The AI market is new and unproven, and it may decline or experience limited growth, which would adversely affect our ability to fully realize the potential of our platform.***

The AI market is relatively new and evaluating the size and scope of the market is subject to a number of risks and uncertainties. We believe that our future success will depend in large part on the growth of this market. The utilization of our platform by customers is still relatively new, and customers may not recognize the need for, or benefits of, our platform, which may prompt them to cease use of our platform or decide to adopt alternative products and services to satisfy their cognitive computing search and analytics requirements. In order to expand our business and extend our market position, we intend to focus our marketing and sales efforts on educating customers about the benefits and technological capabilities of our platform and the application of our platform to the specific needs of customers in different market verticals. Our ability to access and expand the market that our platform is designed to address depends upon a number of factors, including the cost, performance and perceived value of our platform. Market opportunity estimates are subject to significant uncertainty and are based on assumptions and estimates, including our internal analysis and industry experience. Assessing the market for our SaaS solutions in each of the vertical markets we are competing in, or are planning to compete in, is particularly difficult due to a number of factors, including limited available information and rapid evolution of the market. The market for our platform, or for AI cognitive computing in general, may fail to grow significantly or be unable to meet the level of growth we expect. As a result, we may experience lower-than-expected demand for our products and services due to lack of customer acceptance, technological challenges, competing products and services, decreases in spending by current and prospective customers, weakening economic conditions and other causes. If our market does not experience significant growth, or if demand for our platform does not increase in line with our projections, then our business, results of operations and financial condition will be adversely affected.

***We rely on third parties to develop cognitive engines for our platform and in some cases to integrate them with our platform.***

A key element of our platform is the ability to incorporate and integrate cognitive engines developed by multiple third-party vendors, and we plan to continue to increase the number of third-party cognitive engines incorporated into our platform in order to enhance the performance and power of our platform. As we become increasingly dependent on third-party developers for new cognitive engines, we may encounter difficulties in identifying additional high-quality cognitive engines, entering into agreements for their inclusion in our ecosystem on acceptable terms or at all and/or in coordinating and integrating their technologies into our system. We may incur additional costs to modify and adjust existing functionalities of our platform to accommodate multiple classes of third-party cognitive engines, without the assurance that such costs can be recouped by the additional revenues generated by the new capabilities. As our platform becomes more complex due to the inclusion of various third-party cognitive engines, we may not be able to integrate them in a seamless or timely manner due to a number of factors, including incompatible software applications, lack of cooperation from developers, insufficient internal technical resources, and the inability to secure the necessary licenses or legal

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## Table of Contents

authorizations required. In addition, we currently use third-party providers to integrate such third party cognitive engines onto our platform. In the future, we plan to require such third party developers to integrate their engines onto our platform, and we will be dependent in part upon their ability to do so effectively and quickly. We may not have full control over the quality and performance of third-party providers, and therefore, any unexpected deficiencies or problems arising from these third-party providers may cause significant interruptions of our platform. The failure of third party developers to integrate their cognitive engines seamlessly into our platform and/or provide reliable, scalable services may impact the reliability of our platform and harm our reputation and business, results of operations and financial conditions.

***Our competitors, partners or others may acquire third party technologies, which could result in them blocking us from using the technology in our platform, offering it for free to the public or making it cost prohibitive for us to continue to incorporate their technologies in our platform.***

Our success depends in part on our ability to attract and incorporate the leading cognitive engines into our platform. If any third party acquires a cognitive engine that is integral to our platform, they may preclude us from using it as a component of our platform or make it more expensive for us to utilize, and our revenues could decline if the interruption causes us to lose customers. It is also possible that a third party acquirer of such technology could offer the cognitive engines and technologies to the public as a free add-on capability, in which case our customers would have less incentive to pay us for the use of our platform. If a key third party technology becomes unavailable to us or is impractical for us to continue to use, the functionality of our platform could be interrupted and our expenses could increase as we search for an alternative technology. As a result, our business, results of operations and financial condition could be adversely affected through the loss of customers, reputational harm and/or from increased operating costs.

***Our continuous access to public media may be restricted, disrupted or terminated, which would reduce the effectiveness of our platform.***

The success of our platform for certain users depends substantially on our ability to continuously ingest and process large amounts of data available in the public media, and any interruption to our free access to such public media will adversely affect the performance and quality of our platform for such users. Public media sources may change their policies to restrict access or implement procedures to make it more difficult or costly for us to maintain access. Free access to certain public media has also been challenged in courts as a potential violation of laws. In a recent case, *Fox News v. TVEyes*, Fox News filed a lawsuit in the Southern District of New York against a media-monitoring service company for alleged violation of copyright laws. The District Court held that TVEyes' indexing, viewing and archiving capabilities constituted fair use, but that its downloading, emailing and date-time search capabilities did not. Both parties have appealed the decision to the Court of Appeals for the Second Circuit. If the Court of Appeals overturns the lower court decision as requested by Fox News, or other broadcasters pursue similar legal actions, our free access to some or all public media could be limited or eliminated entirely, which will severely reduce the effectiveness and capabilities of our platform and cause us to lose customers. If we no longer have free access to public media, our online media library and the capability and quality of our platform for some users will be significantly reduced. Furthermore, we may be forced to pay significant fees to public media sources in order to maintain access, which would adversely affect our financial condition and results of operations.

***If we are not able to develop a strong brand for our platform and increase market awareness of our company and our platform, then our business, results of operations and financial condition may be adversely affected.***

We believe that the success of our platform will depend in part on our ability to develop a strong brand identity for our "Veritone", "Veritone Platform", "aiWARE" and other service marks, and to increase the market awareness of our platform and its capabilities. The successful promotion of our brand will depend largely on our continued marketing efforts and our ability to offer high quality cognitive engines on our platform and ensure that our technology provides the expected benefits to our customers. We also believe that it is important for us to

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## Table of Contents

be thought leaders in the AI-based cognitive computing market. Our brand promotion and thought leadership activities may not be successful or produce increased revenue. In addition, independent industry analysts often provide reviews of our platform and of competing products and services, which may significantly influence the perception of our platform in the marketplace. If these reviews are negative or not as positive as reviews of our competitors' products and services, then our brand may be harmed.

The promotion of our brand also requires us to make substantial expenditures, and we anticipate that these expenditures will increase as our industry becomes more competitive and as we seek to expand into new markets. These higher expenditures may not result in any increased revenue or in revenue that is sufficient to offset the higher expense levels. If we do not successfully maintain and enhance our brand, then our business may not grow, we may see our pricing power reduced relative to competitors and we may lose customers, all of which would adversely affect our business, results of operations and financial condition.

We expect that our brand and reputation may also be affected by customer reviews and reactions, including reviews and feedback received through online social media channels. We must consistently provide high quality services to ensure that our customers have a positive experience using our platform. If customers complain about our services, if we do not handle customer complaints effectively or if we cannot generate positive reviews and feedback on social media channels, then our brand and reputation may suffer, and our customers may lose confidence in us and reduce or cease their use of our platform.

***We may not be able to expand the capabilities of our proprietary Conductor technology to optimize our AI platform.***

We recently enhanced the performance of our platform by adding our proprietary Conductor technology, which automates the selection of cognitive engines available on our platform within a class from the engines available on our platform. Our Conductor technology is designed to optimize data processing by choosing the best cognitive engine to deploy to generate the ideal results for each individual search based on performance, cost, and speed. Our Conductor technology currently only works with transcription engines. While we are working on expanding our Conductor technology to other cognitive classes, we cannot guarantee that such expansion will be completed on a timely basis or at all. We may not be able to develop the technology to effectively navigate and process multiple complex classes of cognitive engines, particularly those developed by third parties. Even if we are able to do so, we may not be able to develop Conductor technology for those other classes that achieves the expected performance, which would have an adverse effect on our customer experience and satisfaction. In addition, we expect to incur significant costs in the development and deployment of our proprietary Conductors, and if we cannot achieve our expected performance goals, it could have an adverse effect on our financial condition and results of operations.

***We currently generate significant revenue from a limited number of key customers and the loss of any of our key customers may harm our business, results of operations and financial results.***

Our ten largest customers by revenue accounted for approximately 66% of our net revenues in the first nine months of 2017 and 72.2% and 81.0% in fiscal years 2016 and 2015, respectively. If any of our key customers decides not to renew its contract with us or renews on less favorable terms, or if any such customer decides to develop its own platform, our business, revenue and reputation could be materially and adversely affected.

For example, our two largest customers by revenue in 2015, LifeLock, Inc. and DraftKings, Inc., collectively accounted for approximately 42.7% of our net revenues in 2015, but only 10.5% of our net revenues in 2016. In September 2015, our agreement with LifeLock, Inc. was terminated, which contributed to the reduction in our net revenues in 2016 compared with the prior year. Furthermore, as a result of certain legal proceedings in which it was involved, DraftKings, Inc. reduced its marketing spend in 2016, and our net revenues related to our agreement with DraftKings, Inc. declined significantly. If we lose business with additional key

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## **Table of Contents**

customers, and are not able to gain additional customers or increase our revenue from other customers to offset the reduction of revenues from those key customers, our business, results of operations and financial condition would be harmed.

***Media Agency clients periodically review and change their advertising requirements and relationships. If we are unable to remain competitive or retain key clients, our business, results of operations and financial position may be adversely affected.***

The media placement industry is highly competitive, and certain advertising clients periodically put their advertising, marketing and corporate communications business up for competitive review. Clients also review the cost and benefit of servicing all or a portion of their advertising and marketing needs in-house. We have won and lost accounts in the past as a result of these reviews. In addition, from time to time, customers cancel media campaigns for their internal business reasons. Because our Media Agency contracts generally can be cancelled by our customers upon 30 to 90 days prior written notice, clients can easily change media providers or cancel media commitments on short notice without any penalty. In order to retain existing clients and win new clients, we must continue to develop solutions that meet client needs, provide quality and effective client service, and achieve clients' requirements for return on advertising investment and pricing. In addition, our Media Agency Business is primarily engaged in the placement of endorsed media, and we may face increased competition in this business in the future from other advertising agencies that provide a more comprehensive range of advertising services to their customers. To be able to offer a broader range of services, we would need to add additional capabilities, such as television buying, and we may not be able to do so effectively. To the extent that we are not able to remain competitive or retain key clients, our revenue may be adversely affected, which could have a material and adverse effect on our business, results of operations and financial position.

***Our Media Agency Business is dependent on growth in demand for endorsed media and the availability of sufficient media personalities to deliver such content.***

Our Media Agency Business is primarily engaged in the placement of endorsed media, which depends on the availability of media personalities to deliver the endorsed media content. The endorsed media market is still at a relatively early stage of development, and its future growth is uncertain. Our ability to grow our sales in this business will be dependent in part upon the level of interest in endorsed media among advertisers, and upon the number of available media personalities and our ability to identify and engage an increasing number of such personalities on a cost-effective basis. If demand for endorsed media fails to grow, or if we are unable to identify sufficient appropriate media personalities to deliver the endorsed media content, our ability to grow our Media Agency Business would be impacted materially.

***Acquiring and retaining Media Agency clients depends on our ability to avoid and manage conflicts of interest arising from other client relationships and attracting and retaining key personnel.***

Our ability to acquire new Media Agency clients and to retain existing clients may, in some cases, be limited by clients' perceptions of, or policies concerning, conflicts of interest arising from other client relationships. If we are unable to manage these client relationships and avoid potential conflicts of interest, our business, results of operations and financial position may be adversely affected.

Our ability to acquire new Media Agency clients and to retain existing clients is dependent in large part upon our ability to attract and retain our key personnel in that business, who are an important aspect of our competitiveness. If we are unable to attract and retain key personnel, our ability to provide our services in the manner clients have come to expect may be adversely affected, which could harm our reputation and result in a loss of clients, which could have a material adverse effect on our business, results of operations and financial position.

***Our quarterly results may fluctuate significantly and period-to-period comparisons of our results may not be meaningful.***

Our quarterly results, including the levels of our revenue, our operating expenses and other costs, and our operating margins, may fluctuate significantly in the future, and period-to-period comparisons of our results may not be meaningful. Accordingly, the results of any one period should not be relied upon as an indication of our future performance. In addition, our quarterly results may not fully reflect the underlying performance of our business. Factors that may cause fluctuations in our quarterly results include, but are not limited to:

- the timing of new advertising program wins with our Media Agency customers;
- our ability to retain our existing customers and to expand our business with our existing customers;
- our ability to attract new customers, the type of customers we are able to attract, the size and needs of their businesses and the cost of acquiring these new customers;
- the timing and market acceptance of our SaaS solutions and other products introduced by us and our competitors;
- variations in the timing of licensing revenues from our SaaS solutions as a result of trends impacting our target vertical markets;
- changes in our pricing policies or those of our competitors;
- the timing of our recognition of revenue and the mix of our revenues during the period;
- the amount and timing of operating expenses and other costs related to the maintenance and expansion of our business, infrastructure and operations;
- the amount and timing of operating expenses and other costs associated with assessing or entering new vertical markets;
- the amount and timing of operating expenses and other costs related to the development or acquisition of businesses, services, technologies or intellectual property rights;
- the timing and impact of security breaches, service outages or other performance problems with our technology infrastructure and software solutions;
- the timing and costs associated with legal or regulatory actions;
- changes in the competitive dynamics of our industry, including consolidation among competitors, strategic partners or customers;
- loss of our executive officers or other key employees;
- industry conditions and trends that are specific to the vertical markets in which we sell or intend to sell our SaaS solutions; and
- general economic and market conditions.

Fluctuations in quarterly results may negatively impact the value of our common stock, regardless of whether they impact or reflect the overall performance of our business. If our quarterly results fall below the expectations of investors or any securities analysts who follow our stock, or below any guidance we may provide, the price of our common stock could decline substantially.

***If we are not able to enhance or introduce new products that achieve market acceptance and keep pace with technological developments, our business, results of operations and financial condition could be harmed.***

Our ability to attract new customers and increase revenue from existing customers depends in part on our ability to enhance and improve our platform, increase adoption and usage of our products and introduce new

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## **Table of Contents**

products and features, including products and services designed for operation on a network-isolated basis, behind the user's firewall, or in a mobile user environment. The success of any enhancements or new products depends on several factors, including timely completion, adequate quality testing, actual performance quality, market-accepted pricing levels and overall market acceptance and demand. Enhancements and new products that we develop may not be introduced in a timely or cost-effective manner, may contain defects, may have interoperability difficulties with our platform, or may not achieve the market acceptance necessary to generate significant revenue. If we are unable to successfully enhance our existing platform and capabilities to meet evolving customer requirements, increase adoption and usage of our platform, develop new products, or if our efforts to increase the usage of our products are more expensive than we expect, then our business, results of operations and financial condition could be harmed.

***The success of our business depends on our ability to expand into new vertical markets and attract new customers in a cost-effective manner.***

In order to grow our business, we plan to drive greater awareness and adoption of our platform from enterprises across new vertical markets, including Legal, Government and Retail. We intend to increase our investment in sales and marketing, as well as in technological development, to meet evolving customer needs in these and other markets. There is no guarantee, however, that we will be successful in gaining new customers from any or all of these markets. We have limited experience in marketing and selling our products and services generally, and in particular in these new markets, which may present unique and unexpected challenges and difficulties. For example, in order for us to offer our hosted, cloud-based products and services to certain government customers, we will be required to operate our platform in secure government cloud environments in order to enable our customers to maintain compliance with applicable regulations that govern the use, storage and transfer of certain government data. However, due to the secure nature of these government cloud environments, we may not be able to fully perform all functionalities and features of our platform or make available all of the third party cognitive engines within our non-government cloud platform ecosystem, which may limit or reduce the performance and quality of our services. Furthermore, we may incur additional costs to modify our current platform to conform to the cloud provider's requirements, and we may not be able to generate sufficient revenue to offset these costs. We will also be required to comply with certain regulations required by government customers, such as FedRAMP and CJIS, which will require us to incur costs, devote management time and modify our current platform and operations. If we are unable to comply with those regulations effectively and in a cost-effective manner, our financial results could be adversely affected.

We use a variety of marketing channels to promote our products and platform, such as digital, print and social media advertising, email campaigns, industry events and public relations. If the costs of the marketing channels we use increase dramatically, then we may choose to use alternative and less expensive channels, which may not be as effective as the channels we currently use. As we add to or change the mix of our marketing strategies, we may need to expand into more expensive channels than those we are currently in, which could adversely affect our business, results of operations and financial condition. In addition, we have limited experience marketing our products and platform and we may not be successful in selecting the marketing channels that will provide us with exposure to customers in a cost-effective manner. As part of our strategy to penetrate the new vertical markets, we will incur marketing expenses before we are able to recognize any revenue in such markets, and these expenses may not result in increased revenue or brand awareness. We have made in the past, and may make in the future, significant expenditures and investments in new marketing campaigns, and these investments may not lead to the cost-effective acquisition of additional customers. If we are unable to maintain effective marketing programs, then our ability to attract new customers or enter into new vertical markets could be adversely affected.

***Interruptions or performance problems associated with our technology and infrastructure may adversely affect our business and operating results.***

Our continued growth depends in part on the ability of customers to access our platform at any time and within an acceptable amount of time. We have experienced, and may in the future experience, disruptions,

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## **Table of Contents**

outages and other performance problems due to a variety of factors, including infrastructure changes, introductions of new applications and functionality, software errors and defects, capacity constraints due to an increasing number of users accessing our platform simultaneously, or security related incidents. In addition, from time to time we may experience limited periods of server downtime due to server failure or other technical difficulties (as well as maintenance requirements). Because we also incorporate diverse software and hosted services from many third-party vendors, we may encounter difficulties and delays in integrating and synthesizing these applications and programs, which may cause downtimes or other performance problems. It may become increasingly difficult to maintain and improve our performance, especially during peak usage times and as our platform becomes more complex and our user traffic increases. If our platform is unavailable or if our users are unable to access our platform within a reasonable amount of time or at all, our business would be adversely affected and our brand could be harmed. In the event of any of the factors described above, or certain other failures of our infrastructure, customer or consumer data may be permanently lost. To the extent that we do not effectively address capacity constraints, upgrade our systems as needed, and continually develop our technology and network architecture to accommodate actual and anticipated changes in technology, customers and consumers may cease to use our platform and our business and operating results may be adversely affected.

***Our business depends on customers increasing their use of our services and/or platform, and we may experience loss of customers or decline in their use of our services and/or platform.***

Our ability to grow and generate revenue depends, in part, on our ability to maintain and grow our relationships with existing customers and convince them to increase their usage of our platform. If our customers do not increase their use of our platform, then our revenue may not grow and our results of operations may be harmed. Our revenue model for advertising contracts is generally structured as a percentage of the total fees for the advertisement. If our customers reduce their spending on the placement of advertisements with media vendors, or if they decide to use other marketing or selling strategies, we will experience a decline in our revenue. In addition, many of our SaaS licensing contracts include a usage-based license fee that is based upon our customers' level of usage of our platform's cognitive engines. It is difficult to accurately predict customers' usage levels and the loss of customers or reductions in their usage levels may have a negative impact on our business, results of operations and financial condition. If a significant number of customers cease using, or reduce their usage of, our platform, then we may be required to spend significantly more on sales and marketing than we currently plan to spend in order to maintain or increase revenue from customers. These additional expenditures could adversely affect our business, results of operations and financial condition. Most of our customers do not have long-term contractual financial commitments to us and, therefore, most of our customers may reduce or cease their use of our platform at any time without penalty or termination charges.

***We rely upon AWS and Iron.io to operate our platform, and any disruption of or interference with our use of such third party services would adversely affect our business operations.***

We use AWS to host our platform and for our storage needs. We also utilize Iron.io (a unit of Oracle) for certain computing processes related to our services. Users of our platform need to be able to access our platform at any time, without interruption or degradation of performance. AWS and Iron.io run their own platforms that we access, and we are, therefore, vulnerable to service interruptions at AWS and Iron.io. We do not have control over the operations of AWS or Iron.io, and we may experience interruptions, delays and outages in service and availability from time to time due to a variety of factors, including infrastructure changes, human or software errors, website hosting disruptions and capacity constraints. In addition, if our security, or that of AWS or Iron.io, is compromised, our platform is unavailable to our customers, or our customers are unable to use our platform within a reasonable amount of time or at all, then our business, results of operations and financial condition could be adversely affected. In some instances, we may not be able to identify the cause or causes of these performance problems within a period of time acceptable to our customers.

AWS and Iron.io provide us with hosting, computing and storage capacity pursuant to agreements that may be cancelled by providing 30 days' prior written notice, and in some cases, the agreements can be terminated



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## **Table of Contents**

immediately for cause without notice. If any of these agreements are terminated with little or no notice, we could experience interruptions on our platform and in our ability to make our platform available to customers, as well as delays and additional expenses in arranging alternative cloud infrastructure services.

While we have deployed our platform to work on Microsoft's Azure government cloud, and are in the process of deploying it on AWS' secure government cloud, the secure nature of these secure government clouds limits certain features of our platform, which could impact a user's experience on our site and may make it harder to achieve broad acceptance of the cloud-based version of our platform among government users.

Any of the above circumstances or events may harm our reputation, cause customers to stop using our platform, impair our ability to increase revenue from existing customers, impair our ability to grow our customer base, subject us to financial penalties and liabilities under our service level agreements and otherwise harm our business, results of operations and financial condition.

***The security of our platform, networks or computer systems may be breached, and any unauthorized access to our customer data will have an adverse effect on our business and reputation.***

The use of our platform involves the storage, transmission and processing of our clients' private data as well as public media, and this private media may contain confidential and proprietary information of our clients or other personal or identifying information regarding our clients, their employees or other persons. Individuals or entities may attempt to penetrate our network or platform security, or that of our third-party hosting and storage providers, and could gain access to our clients' private media, which could result in the destruction, disclosure or misappropriation of proprietary or confidential information of our clients' or their customers, employees and business partners. If any of our clients' private media is leaked, obtained by others or destroyed without authorization, it could harm our reputation, we could be exposed to civil and criminal liability, and we may lose our ability to access private media information, which will adversely affect the quality and performance of our platform.

In addition, our platform may be subject to computer malware, viruses and computer hacking, fraudulent use attempts and phishing attacks, all of which have become more prevalent in our industry. Though it is difficult to determine what, if any, harm may directly result from any specific interruption or attack, they may include the theft or destruction of data owned by us or our customers, and/or damage to our platform. Any failure to maintain the performance, reliability, security and availability of our products and technical infrastructure to the satisfaction of our customers may harm our reputation and our ability to retain existing customers and attract new users.

While we have implemented procedures and safeguards that are designed to prevent security breaches and cyber-attacks, they may not be able to protect against all attempts to breach our systems, and we may not become aware in a timely manner of any such security breach. Unauthorized access to or security breaches of our platform, network or computer systems, or those of our technology service providers or third party cognitive engines, could result in the loss of business, reputational damage, regulatory investigations and orders, litigation, indemnity obligations, damages for contract breach, civil and criminal penalties for violation of applicable laws, regulations or contractual obligations, and significant costs, fees and other monetary payments for remediation. If customers believe that our platform does not provide adequate security for the storage of sensitive information or its transmission over the Internet, our business will be harmed. Customers' concerns about security or privacy may deter them from using our platform for activities that involve personal or other sensitive information.

***If we are not able to compete effectively, our business and operating results will be harmed.***

While the market for AI-based systems for search and analysis of audio, video and other unstructured data is still in the early stages of development, we face competition from various sources, including large, well-capitalized technology companies such as Google and IBM. These competitors may have better brand name

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## **Table of Contents**

recognition, greater financial and engineering resources and larger sales teams than we have. As a result, these competitors may be able to develop and introduce competing solutions and technologies that may have greater capabilities than ours or that are able to achieve greater customer acceptance, and they may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. In addition, we may also compete with smaller third-party developers of cognitive engines, who may develop their own platforms that perform similar services as our platform. We expect that competition will increase and intensify as we continue to expand our serviceable markets and improve our platform and services. Increased competition may result in pricing pressures and require us to incur additional sales and marketing expenses, which could negatively impact our sales, profitability and market share.

***Privacy and data security laws and regulations could require us to make changes to our business, impose additional costs on us and reduce the demand for our software solutions.***

Our business model contemplates that we will store, process and transmit both public media and our clients' private media. Our customers may store and/or transmit a significant amount of personal or identifying information through our platform. Privacy and data security have become significant issues in the United States and in other jurisdictions where we may offer our software solutions. The regulatory framework relating to privacy and data security issues worldwide is evolving rapidly and is likely to remain uncertain for the foreseeable future. Federal, state and foreign government bodies and agencies have in the past adopted, or may in the future adopt, laws and regulations regarding the collection, use, processing, storage and disclosure of personal or identifying information obtained from customers and other individuals. In addition to government regulation, privacy advocates and industry groups may propose various self-regulatory standards that may legally or contractually apply to our business. Because the interpretation and application of many privacy and data security laws, regulations and applicable industry standards are uncertain, it is possible that these laws, regulations and standards may be interpreted and applied in a manner inconsistent with our existing privacy and data management practices. As we expand into new jurisdictions or verticals, we will need to understand and comply with various new requirements applicable in those jurisdictions or verticals.

To the extent applicable to our business or the businesses of our customers, these laws, regulations and industry standards could have negative effects on our business, including by increasing our costs and operating expenses, and delaying or impeding our deployment of new core functionality and products. Compliance with these laws, regulations and industry standards requires significant management time and attention, and failure to comply could result in negative publicity, subject us to fines or penalties or result in demands that we modify or cease existing business practices. In addition, the costs of compliance with, and other burdens imposed by, such laws, regulations and industry standards may adversely affect our customers' ability or desire to collect, use, process and store personal information using our software solutions, which could reduce overall demand for them. Even the perception of privacy and data security concerns, whether or not valid, may inhibit market acceptance of our software solutions in certain verticals. Furthermore, privacy and data security concerns may cause our customers' clients, vendors, employees and other industry participants to resist providing the personal information necessary to allow our customers to use our applications effectively. Any of these outcomes could adversely affect our business and operating results.

***Failure to manage our growth effectively could increase our expenses, decrease our revenue and prevent us from implementing our business strategy.***

We expect that our ability to achieve profitability will require substantial growth in our business, which will put a strain on our management and financial resources. To manage this and our anticipated future growth effectively, we must continue to maintain and enhance our platform and information technology infrastructure, as well as our financial and accounting systems and controls. We also must attract, train and retain a significant number of qualified software developers and engineers, technical and management personnel, sales and marketing personnel, customer support personnel and professional services personnel. Failure to effectively manage our rapid growth could lead us to over-invest or under-invest in development and operations, result in

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## **Table of Contents**

weaknesses in our platform, systems or controls, give rise to operational mistakes, losses, loss of productivity or business opportunities and result in loss of employees and reduced productivity of remaining employees. Our growth could require significant capital expenditures and might divert financial resources from other projects such as the development of new products and services. If our management is unable to effectively manage our growth, our expenses might increase more than expected, our revenue could decline or grow more slowly than expected, and we might be unable to implement our business strategy. The quality of our products and services might suffer, which could negatively affect our reputation and harm our ability to retain and attract customers.

***We intend to pursue the acquisition of other companies, businesses or technologies, which could be expensive, divert our management's attention and/or fail to achieve the expected benefits.***

As part of our growth strategy, we intend to acquire businesses, services, technologies or intellectual property rights that we believe could complement, expand or enhance the features and functionality of our platform and our technical capabilities, broaden our service offerings or offer growth opportunities. The pursuit of potential acquisitions may divert the attention of management and cause us to incur various expenses in identifying, investigating and pursuing suitable acquisitions, whether or not such acquisitions are consummated. Acquisitions also could result in dilutive issuances of equity securities or the incurrence of debt, which could adversely affect our operating results and financial condition. In addition, we may experience difficulties in integrating the acquired personnel, operations and/or technologies successfully or effectively managing the combined business following the acquisition. We also may not achieve the anticipated benefits from the acquired business and may incur unanticipated costs and liabilities in connection with any such acquisitions. If any of these results occurs, our business and financial result could be adversely affected.

***Any failure to offer high-quality customer support may adversely affect our relationships with our customers.***

Our ability to retain existing customers and attract new customers depends in part on our ability to maintain a consistently high level of customer service and technical support. Our customers depend on our service support team to assist them in utilizing our platform effectively and to help them to resolve issues quickly and to provide ongoing support. If we are unable to hire and train sufficient support resources or are otherwise unsuccessful in assisting our customers effectively, it could adversely affect our ability to retain existing customers and could prevent prospective customers from adopting our platform. We may be unable to respond quickly enough to accommodate short-term increases in demand for customer support. We also may be unable to modify the nature, scope and delivery of our customer support to compete with changes in the support services provided by our competitors. Increased demand for customer support, without corresponding revenue, could increase our costs and adversely affect our business, results of operations and financial condition. Our sales are highly dependent on our business reputation and on positive recommendations from customers. Any failure to maintain high-quality customer support, or a market perception that we do not maintain high-quality customer support, could adversely affect our reputation, business, results of operations and financial condition.

***We plan to expand our international operations, which exposes us to significant risks.***

As part of our growth strategy, we recently opened an office in the United Kingdom, and are also planning to expand in other countries to help us increase our revenue from customers outside of the United States. We expect, in the future, to open additional foreign offices and hire employees to work at these offices in order to reach new customers and gain access to additional technical talent. Operating in international markets requires significant resources and management attention and will subject us to regulatory, economic and political risks in addition to those we already face in the United States. Because of our limited experience with international operations as well as developing and managing sales in international markets, our international expansion efforts may not be successful. In addition, we will face risks in doing business internationally that could adversely affect our business, including, but not limited to:

- the difficulty of managing and staffing international operations and the increased operating, travel, infrastructure and legal compliance costs associated with numerous international locations;

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## Table of Contents

- our ability to effectively price our products in competitive international markets;
- the need to adapt and localize our products for specific countries;
- the need to offer customer support in various languages;
- difficulties in understanding and complying with U.S. laws, regulations and customs relating to U.S. companies operating in foreign jurisdictions;
- difficulties in understanding and complying with local laws, regulations and customs in foreign jurisdictions, particularly in the areas of data privacy and personal privacy;
- difficulties with differing technical and environmental standards, data privacy and telecommunications regulations and certification requirements outside the United States, which could prevent customers from deploying our products or limit their usage;
- more limited protection for intellectual property rights in some countries; and
- political or social unrest or economic instability in a specific country or region in which we operate.

Our failure to manage any of these risks successfully could harm our international operations, and adversely affect our business, results of operations and financial condition.

***We may be sued by third parties for alleged infringement of their proprietary rights, which could adversely affect our business, results of operations and financial condition.***

There has been considerable patent and other intellectual property development activity in the AI industry, which has resulted in litigation based on allegations of infringement or other violations of intellectual property rights. Our future success depends, in part, on not infringing the intellectual property rights of others. In the future, we may receive claims from third parties, including our competitors, alleging that our platform and underlying technology infringe or violate such third party's intellectual property rights, and we may be found to be infringing upon such rights. We may be unaware of the intellectual property rights of others that may cover some or all of our technology. Any such claims or litigation could cause us to incur significant expenses and, if successfully asserted against us, could require that we pay substantial damages or ongoing royalty payments, prevent us from offering some portion of our platform, or require that we comply with other unfavorable terms. We may also be obligated to indemnify our customers or business partners in connection with any such litigation and to obtain licenses or modify our platform, which could further exhaust our resources. Patent infringement, trademark infringement, trade secret misappropriation and other intellectual property claims and proceedings brought against us, whether successful or not, could harm our brand, business, results of operations and financial condition. Litigation is inherently uncertain, and any judgment or injunctive relief entered against us or any adverse settlement could negatively affect our business, results of operations and financial condition. In addition, litigation can involve significant management time and attention and be expensive, regardless of the outcome. During the course of litigation, there may be announcements of the results of hearings and motions and other interim developments related to the litigation. If securities analysts or investors regard these announcements as negative, the trading price of our common stock may decline.

***We could incur substantial costs in protecting or defending our intellectual property rights, and any failure to protect our intellectual property could adversely affect our business, results of operations and financial condition.***

Our success depends, in part, on our ability to protect our brand and the proprietary methods and technologies that we develop under patent and other intellectual property laws of the United States and foreign jurisdictions so that we can prevent others from using our inventions and proprietary information. As of September 30, 2017, in the United States, we had nine issued patents, which expire between 2028 and 2031, 29 patent applications pending for examination, and 20 patent applications pending for examination in foreign

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## Table of Contents

jurisdictions. We may not be issued any additional patents and any patents that have been issued or that may be issued in the future may not provide significant protection for our intellectual property. In addition, as of September 30, 2017, we had five registered trademarks in the United States, and we have filed applications to register several additional marks. If we fail to protect our intellectual property rights adequately, our competitors might gain access to our technology and our business, results of operations and financial condition may be adversely affected.

The particular forms of intellectual property protection that we seek, or our business decisions about when to file patent applications and trademark applications, may not be adequate to protect our business. We could be required to spend significant resources to monitor and protect our intellectual property rights. Litigation may be necessary in the future to enforce our intellectual property rights, determine the validity and scope of our proprietary rights or those of others, or defend against claims of infringement or invalidity. Such litigation could be costly, time-consuming and distracting to management, result in a diversion of significant resources, lead to the narrowing or invalidation of portions of our intellectual property and have an adverse effect on our business, results of operations and financial condition. Our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights or alleging that we infringe the counterclaimant's own intellectual property. Any of our patents, copyrights, trademarks or other intellectual property rights could be challenged by others or invalidated through administrative process or litigation.

We also rely, in part, on confidentiality agreements with our business partners, employees, consultants, advisors, customers and others in our efforts to protect our proprietary technology, processes and methods. These agreements may not effectively prevent disclosure of our confidential information, and it may be possible for unauthorized parties to copy our software or other proprietary technology or information, or to develop similar software independently without our having an adequate remedy for unauthorized use or disclosure of our confidential information. In addition, others may independently discover our trade secrets and proprietary information, and in these cases we would not be able to assert any trade secret rights against those parties. Costly and time-consuming litigation could be necessary to enforce and determine the scope of our proprietary rights, and the failure to obtain or maintain trade secret protection could adversely affect our competitive business position.

In addition, the laws of some countries do not protect intellectual property and other proprietary rights to the same extent as the laws of the United States. To the extent we expand our international activities, our exposure to unauthorized copying, transfer and use of our proprietary technology or information may increase.

Our means of protecting our intellectual property and proprietary rights may not be adequate or our competitors could independently develop similar technology. If we fail to meaningfully protect our intellectual property and proprietary rights, our business, results of operations and financial condition could be adversely affected.

***We depend on our executive officers and other key employees, and the loss of one or more of these employees or an inability to attract and retain highly skilled employees could adversely affect our business.***

Our success depends largely upon the continued services of our Chief Executive Officer, Chad Steelberg, our President, Ryan Steelberg, and our other executive officers. We rely on our leadership team in the areas of strategy and implementation, research and development, operations, security, marketing, sales, support and general and administrative functions. We do not currently have any employment agreements with our executive officers that require them to continue to work for us for any specified period, and, therefore, they could terminate their employment with us at any time. The loss of Chad Steelberg or Ryan Steelberg, or one or more of the members of our management team, could adversely impact our business and operations and disrupt our relationships with our key customers.

***If we are unable to hire, retain and motivate qualified personnel, our business will suffer.***

Our future success depends, in part, on our ability to continue to attract and retain highly skilled personnel. We believe that there is, and will continue to be, intense competition for highly skilled management, engineering, data science, sales and other personnel with experience in our industry. We must provide competitive compensation packages and a high-quality work environment to hire, retain and motivate employees. If we are unable to retain and motivate our existing employees and attract qualified personnel to fill key positions, we may be unable to manage our business effectively, including the development, marketing and sale of our products, which could adversely affect our business, results of operations and financial condition. To the extent we hire personnel from competitors, we also may be subject to allegations that they have been improperly solicited or that they have divulged proprietary or other confidential information.

Volatility in, or lack of performance of, our stock price may also affect our ability to attract and retain key personnel. Many of our key personnel are, or will soon be, vested in a substantial number of shares of common stock or stock options. Employees may be more likely to terminate their employment with us if the shares they own or the shares underlying their vested options have significantly appreciated in value relative to the original purchase prices of the shares or the exercise prices of the options, or, conversely, if the exercise prices of the options that they hold are significantly above the trading price of our common stock. If we are unable to retain our employees, our business, results of operations and financial condition could be adversely affected.

***We expect to require additional capital to support our business, and this capital might not be available on acceptable terms, if at all.***

We intend to continue to make investments to support our business and may require additional funds. In particular, we expect to seek additional funds to develop new products and enhance our platform, expand our operations, including our sales and marketing organizations and our presence outside of the United States, improve our infrastructure or acquire complementary businesses, technologies, services, products and other assets. Accordingly, we expect to engage in equity and/or debt financings to secure additional funds. If we raise additional funds through future issuances of equity or convertible debt securities, our stockholders could suffer significant dilution, and any new equity securities we issue could have rights, preferences and privileges superior to those of holders of our common stock. Any debt financing that we may secure in the future could involve debt service obligations and restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities. We may not be able to obtain additional financing on terms favorable to us, if at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, our ability to continue to support our business growth, scale our infrastructure, develop product enhancements and to respond to business challenges could be significantly impaired, and our business, results of operations and financial condition may be adversely affected.

***Changes in laws and regulations related to the Internet or changes in the Internet infrastructure itself may diminish the demand for our products.***

The future success of our business depends upon the continued use of the Internet as a primary medium for commerce, communications and business applications. Federal, state or foreign government bodies or agencies have in the past adopted, and may in the future adopt, laws or regulations affecting the use of the Internet as a commercial medium. Changes in these laws or regulations could require us to modify our products and platform in order to comply with these changes. In addition, government agencies or private organizations have imposed and may impose additional taxes, fees or other charges for accessing the Internet or commerce conducted via the Internet. These laws or charges could limit the growth of Internet-related commerce or communications generally, or result in reductions in the demand for Internet-based products and services such as our platform. In addition, the use of the Internet as a business tool could be adversely affected due to delays in the development or adoption of new standards and protocols to handle increased demands of Internet activity, security, reliability,

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## Table of Contents

cost, ease-of-use, accessibility and quality of service. The performance of the Internet and its acceptance as a business tool has been adversely affected by “viruses”, “worms” and similar malicious programs. If the use of the Internet is reduced as a result of these or other issues, then demand for our products could decline, which could adversely affect our business, results of operations and financial condition.

***We have a limited operating history, which makes it difficult to evaluate our current business and future prospects and increases the risk of your investment.***

We were founded in 2014 and launched our platform in April 2015. As a result of our limited operating history, our ability to forecast our future results of operations is limited and subject to a number of uncertainties, including our ability to plan for future growth. We have encountered and will encounter risks and uncertainties frequently experienced by growing companies in rapidly changing industries, such as:

- market acceptance of our platform and new products;
- reliability and scalability of our platform and services;
- adding new customers and new vertical markets;
- retention of customers;
- the successful expansion of our business;
- competition;
- our ability to control costs, particularly our product development and sales and marketing expenses;
- network outages or security breaches and any associated expenses;
- executing acquisitions and integrating acquired businesses, technologies, services, products and other assets; and
- general economic and political conditions.

If we do not address these risks successfully, our business, results of operations and financial condition may be adversely affected.

***We have had a history of losses and we may be unable to achieve or sustain profitability.***

We experienced net losses of \$46.8 million in the first nine months of 2017 and \$27.0 million and \$6.2 million in fiscal years 2016 and 2015, respectively. As of September 30, 2017, we had an accumulated deficit of approximately \$96.5 million. We may not achieve profitability in the near future or at all. We expect to continue to expend substantial financial and other resources on, among other things:

- investments to expand and enhance our platform and technology infrastructure, make improvements to the scalability, availability and security of our platform, and develop new products;
- sales and marketing, including expanding our direct sales organization and marketing programs, and expanding our programs directed at increasing our brand awareness among current and new customers;
- hiring additional employees;
- expansion of our operations and infrastructure, both domestically and internationally; and
- general administration, including legal, accounting and other expenses related to being a public company.

These investments may not result in increased revenue or growth of our business. We may not be able to generate net revenues sufficient to offset our expected cost increases and planned investments in our business and

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## **Table of Contents**

platform. As a result, we may incur significant losses for the foreseeable future, and may not be able to achieve and sustain profitability. If we fail to achieve and sustain profitability, then we may not be able to achieve our business plan, fund our business or continue as a going concern.

***Our business is subject to the risks of earthquakes, fire, floods and other natural catastrophic events, and to interruption by man-made problems such as power disruptions, computer viruses, data security breaches or terrorism.***

Our corporate headquarters are located in Southern California, a region known for seismic activity. A significant natural disaster, such as an earthquake, fire or a flood, occurring at our headquarters, at one of our other facilities or where a business partner is located could adversely affect our business, results of operations and financial condition. Further, if a natural disaster or man-made problem were to affect Iron.io and/or AWS, our network service providers or Internet service providers, this could adversely affect the ability of our customers to use our products and platform. In addition, natural disasters and acts of terrorism could cause disruptions in our business, or the businesses of our customers or service providers. We also rely on our network and third-party infrastructure and enterprise applications and internal technology systems for our engineering, sales and marketing and operations activities. Although we maintain incident management and disaster response plans, in the event of a major disruption caused by a natural disaster or man-made problem, we may be unable to continue our operations and may endure system interruptions, reputational harm, delays in our development activities, lengthy interruptions in service, breaches of data security and loss of critical data, any of which could adversely affect our business, results of operations and financial condition.

### **Risks Related to This Offering, the Ownership of Our Securities and Our Public Company Operations**

***We will have broad discretion as to the use of proceeds from this offering and may not use the proceeds effectively.***

We estimate that the net proceeds to us from this offering will be approximately \$21.3 million at an assumed public offering price of \$28.98 per share (which was the last reported sale price of our common stock as reported on NASDAQ on November 14, 2017), after deducting the underwriting discounts and commissions and estimated offering expenses payable by us. Our Board and management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not improve our results of operations or enhance the value of our common stock. We intend to use the net proceeds from this offering for working capital or other general corporate purposes, including funding our growth strategies discussed in this prospectus. We do not currently have any definitive or preliminary plans with respect to the use of proceeds for such purposes. In addition, we may use a portion of the net proceeds of this offering to acquire or invest in complementary businesses, services, technologies or intellectual property rights. However, we have no agreements or commitments with respect to any material acquisitions or investments at this time. We have not allocated these net proceeds for any specific purposes. We might not be able to yield a significant return, if any, on any investment of these net proceeds. You will not have the opportunity to influence our Board's or management's decisions on how to use the net proceeds from this offering, and our failure to apply these funds effectively could have a material and adverse effect on our business and cause the price of our common stock to decline.

***If you purchase shares of common stock sold in this offering, you will incur immediate and substantial dilution.***

The public offering price of our common stock offered pursuant to this prospectus is substantially higher than the net tangible book value per share of our common stock. Therefore, if you purchase shares of common stock in this offering, you will incur immediate and substantial dilution in the pro forma net tangible book value per share of common stock from the price per share that you pay for the common stock. See the section entitled "Dilution" below for a more detailed discussion of the dilution you will incur if you purchase shares in this offering. Furthermore, we expect that we will seek to raise additional capital from time to time in the future. Such financings may involve the issuance of equity securities and/or securities convertible into or exercisable or



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## Table of Contents

exchangeable for our equity securities. We also expect to continue to utilize equity-based compensation. To the extent outstanding warrants and options are exercised or we issue equity securities or securities such as warrants that are convertible into, exercisable or exchangeable for, our equity securities in the future, you may experience further dilution.

***Our officers, directors and principal stockholders have significant voting power and control over our company and may take actions that could conflict with the interests of our other stockholders.***

Our officers, directors and principal stockholders that hold more than 5% of our common stock collectively control approximately 76% of our voting securities. If any of our officers, directors and principal stockholders purchases additional shares of common stock, the aggregate percentage of their equity ownership may increase further. As a result, these stockholders, if they act together, will be able to control the management and affairs of our company and most matters requiring stockholder approval, including the election of directors and approval of significant corporate transactions. This concentration of ownership may have the effect of delaying or preventing a change of control and might adversely affect the market price of our common stock. This concentration of ownership may not be in the best interests of our other stockholders. Due to such concentration of ownership, we may take actions with respect to our business that may conflict with the desire of other stockholders.

Furthermore, pursuant to the Voting Agreement and during the Voting Period, Acacia and the Holders have the right to designate all nine authorized directors on our Board. In addition, pursuant to the Voting Agreement, each of Acacia and the Holders has the right to appoint three designees to attend and participate in the meetings of our Board in a non-voting capacity. In addition, so long as our Board includes three directors designated by Acacia, unless approved by a majority of our Board, including at least one director designated by Acacia, we cannot take any corporate action, and the Holders cannot take any stockholder action, to effect any (i) merger, consolidation or other business combination involving our company, (ii) sale, transfer or other disposition of any capital stock or assets of our company, or (iii) acquisition, license out of the ordinary course of business, or merger or other business combination with a subsidiary of our company, in each case of (i) through (iii), in which the transaction value exceeds \$50 million.

As a result of these arrangements, Acacia and the Holders will be able to exercise significant control over our business operations and on all matters requiring stockholder approval. This voting control may also discourage transactions involving a change-of-control of our company, including transactions in which you as a holder of our common stock might otherwise receive a premium for your shares.

***We are a “controlled company” within the meaning of the NASDAQ Marketplace Rules and, as a result, are exempt from certain corporate governance requirements. Therefore, you may not have the same protections afforded to stockholders of companies that are subject to such requirements.***

Acacia and the Holders collectively beneficially own more than 50% of our voting power. Pursuant to the Voting Agreement, Acacia and the Holders (acting as a group) can designate and elect all nine directors on our Board. As a result, we will be considered a “controlled company” within the meaning of the corporate governance standards of NASDAQ.

Under these rules, a listed company of which more than 50% of the voting power is held by an individual, group or another company is a “controlled company” and may elect not to comply with certain corporate governance requirements, including, the requirements that, among others:

- a majority of our Board consist of “independent directors” as defined by the applicable rules and regulations of NASDAQ;
- the compensation of our executive officers to be determined, or recommended to our Board for determination, by independent directors constituting a majority of the independent directors of our Board in a vote in which only independent directors participate or by a compensation committee comprised solely of independent directors; and

## Table of Contents

- director nominees be selected, or recommended to our Board for selection, by independent directors constituting a majority of the independent directors of our Board in a vote in which only independent directors participate or by a nomination committee comprised solely of independent directors.

At this time, we are unable to comply with certain of NASDAQ's corporate governance requirements with respect to our Board, as a majority of our Board does not consist of independent directors, and as such, are electing to avail ourselves to the exemptions afforded to controlled companies. We intend that our Compensation Committee and our Corporate Governance and Nominating Committee will continue to be comprised solely of independent directors. We may not be able to comply with all of NASDAQ's other corporate governance requirements. As a controlled company, you will not have the same protections afforded to stockholders of companies that are subject to all of NASDAQ's corporate governance requirements.

***If Acacia or the Holders sell a controlling interest in our company to a third-party in a private transaction, you may not realize any change-of-control premium on shares of our common stock and we may become subject to the control of a presently unknown third-party.***

Acacia and the Holders will continue to control a majority of the voting power of our outstanding common stock. Following the expiration of the lock-up period, Acacia and the Holders will have the ability to sell some or all of their shares of our common stock in a privately negotiated transaction, which, if sufficient in size, could result in a change-of-control of our company without your approval and without providing for a purchase of your shares. The ability of Acacia and the Holders to privately sell their shares of our common stock, with no requirement for a concurrent offer to be made to acquire your shares of our common stock, could prevent you from realizing any change-of-control premium of your shares of our common stock that may otherwise accrue to Acacia and the Holders on their private sale of our common stock. Additionally, if either Acacia or the Holders privately sell their equity interest in our company, we may become subject to the control of a presently unknown third-party. Such third-party may have conflicts of interest with those of other stockholders. In addition, if Acacia or the Holders sell a controlling interest in our company to a third-party, any future indebtedness we have may be subject to acceleration, and our other commercial agreements and relationships could be impacted, all of which may adversely affect our ability to run our business as described herein and may have a material adverse effect on our operating results and financial condition.

***Our common stock price has been extremely volatile and could continue to fluctuate widely in price, which could result in substantial losses for investors.***

The market price of our common stock has been, and we expect will continue to be, subject to extreme fluctuations over short periods of time. For example, the closing price of our common stock since May 12, 2017, has ranged from a low of \$7.76 to a high of \$65.91. These fluctuations may be due to various factors, many of which are beyond our control, including:

- the volume and timing of our revenues and quarterly variations in our results of operations or those of others in our industry;
- announcement of new contracts with customers or termination of contracts with customers;
- the introduction of new services, content or features by us or others in our industry;
- disputes or other developments with respect to our or others' intellectual property rights;
- media exposure of our products or of those of others in our industry;
- changes in governmental regulations;
- additions or departures of key personnel;
- sales of our common stock;
- speculative trading practices of certain market participants;

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## Table of Contents

- changes in earnings estimates or recommendations by securities analysts; and
- general market conditions and other factors, including factors unrelated to our operating performance or the operating performance of our competitors.

In recent years, the stock markets generally have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of the listed companies. Broad market and industry factors may significantly affect the market price of our common stock, regardless of our actual operating performance. These fluctuations have been, and may continue to be, even more pronounced in the trading market for our common stock shortly before this offering. If the market price of shares of our common stock after this offering does not ever exceed the offering price, you may not realize any return on your investment in us and may lose some or all of your investment.

In addition, in the past, class action litigation has often been instituted against companies whose securities have experienced periods of volatility in market price. Securities litigation brought against us following volatility in our stock price, regardless of the merit or ultimate results of such litigation, could result in substantial costs, which would hurt our financial condition and operating results and divert management's attention and resources from our business.

***If securities or industry analysts do not publish or cease publishing research or reports about us, our business, our market or our competitors, or if such analysts adversely change their recommendations regarding our common stock, the market price and trading volume of our common stock could decline.***

The trading market for our common stock will be influenced by the research and reports that securities or industry analysts may publish about us, our business, our market or our competitors. If any of the analysts who cover us adversely change their recommendations regarding our common stock or provide more favorable recommendations about our competitors, the market price of our common stock may decline. If any of the analysts who cover us were to cease coverage of us or fail to publish reports on us regularly, visibility of our company in the financial markets could decrease, which in turn could cause the market price or trading volume of our common stock to decline. These concerns may be exacerbated by the relatively small size of our public float, which limits the trading volume of our common stock.

***We have incurred and will continue to incur increased costs as a result of becoming a public company, including costs related to compliance with the Sarbanes-Oxley Act and other regulations.***

As a public company, we have incurred and will continue to incur significant legal, accounting, insurance and other expenses that we had not incurred as a private company, including costs associated with public company reporting requirements. In the future, we expect to also incur costs associated with compliance with the Sarbanes-Oxley Act and related rules implemented by the SEC. The expenses incurred by public companies generally for reporting and corporate governance purposes have been increasing. We expect these rules and regulations to continue to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. If we are unable to satisfy our obligations as a public company, we could be subject to delisting of our common stock, fines, sanctions and other regulatory action and potentially civil litigation.

The Sarbanes-Oxley Act requires, among other things, that we maintain effective internal control over financial reporting and disclosure controls and procedures. In particular, we must perform system and process evaluation and testing of our internal control over financial reporting to allow management to report on the effectiveness of our internal control over financial reporting, as required by Section 404 of the Sarbanes-Oxley Act. In addition, we will be required to have our independent registered public accounting firm attest to the effectiveness of our internal control over financial reporting in the later of our second annual report on Form 10-K or the first annual report on Form 10-K following the date on which we are no longer an emerging growth company. Our compliance with Section 404 of the Sarbanes-Oxley Act will require that we incur substantial

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## Table of Contents

accounting expense and expend significant management efforts. We currently do not have an internal audit group, and we will need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge. If we are not able to comply with the requirements of Section 404 in a timely manner, or if we or our independent registered public accounting firm identify deficiencies in our internal control over financial reporting that are deemed to be material weaknesses, the market price of our stock could decline and we could be subject to sanctions or investigations by NASDAQ, the SEC or other regulatory authorities, which would require additional financial and management resources.

Our ability to successfully implement our business plan and comply with Section 404 requires us to be able to prepare timely and accurate financial statements. We expect that we will need to continue to improve existing, and implement new operational and financial systems, procedures and controls to manage our business effectively. Any delay in the implementation of, or disruption in the transition to, new or enhanced systems, procedures or controls, may cause our operations to suffer and we may be unable to conclude that our internal control over financial reporting is effective and/or to obtain an unqualified report on internal control over financial reporting from our auditors as may be required under Section 404 of the Sarbanes-Oxley Act. This, in turn, could have an adverse impact on trading prices for our common stock, and could adversely affect our ability to access the capital markets.

***We had identified a material weakness in our internal control over financial reporting for the years ended December 31, 2016 and 2015, and we may not be able to successfully maintain effective internal control over financial reporting.***

We identified control deficiencies in our financial reporting process that constituted a material weakness for the years ended December 31, 2016 and 2015. The material weakness related to the lack of competent accounting personnel with the appropriate level of knowledge, experience and training in generally accepted accounting principles and SEC reporting requirements with respect to equity transactions, resulting in several adjustments to the interim financial statements and also a restatement of our previously issued financial statements as of and for the years ended December 31, 2016 and 2015.

We have implemented certain measures to remediate this material weakness. For example, we hired a new Chief Financial Officer in October 2016, a new Corporate Controller in March 2017 and a new Senior Director of Financial Reporting in June 2017. We have also engaged outside consultants with requisite experience to assist us in the financial reporting process and utilized interim professionals to strengthen our accounting and financial reporting team. We believe that the actions we have taken remediated the material weakness.

However, we may suffer from other material weaknesses in the future. If we fail to maintain effective internal control over financial reporting in the future, such failure could result in a material misstatement of our annual or quarterly financial statements that would not be prevented or detected on a timely basis and which could cause investors and other users to lose confidence in our financial statements, limit our ability to raise capital and have a negative effect on the trading price of our common stock. Additionally, failure to maintain effective internal control over financial reporting may also negatively impact our operating results and financial condition, impair our ability to timely file our periodic and other reports with the SEC, subject us to additional litigation and regulatory actions and cause us to incur substantial additional costs in future periods relating to the implementation of remedial measures.

***Substantial future sales of our common stock, or the perception in the public markets that these sales may occur, may depress our stock price.***

Our common stock is traded on NASDAQ and, despite certain increases of trading volume from time to time, there have been periods when our common stock could be considered thinly-traded, meaning that the number of persons interested in purchasing our common stock at or near bid prices at any given time may be relatively small. Equity or equity-related financing transactions that result in a large amount of newly issued

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## Table of Contents

shares that become readily tradable, or other events that cause current stockholders to sell shares, could place downward pressure on the trading price of our stock. In addition, the lack of a robust resale market may require a stockholder who desires to sell a large number of shares of common stock to sell the shares in increments over time to mitigate any adverse impact of the sales on the market price of our stock.

If our stockholders sell, or the market perceives that our stockholders intend to sell (for various reasons, including the ending of restrictions on resale), substantial amounts of our common stock in the public market, including shares issued upon the exercise of any outstanding options or warrants, the market price of our common stock could fall. Sales of a substantial number of shares of our common stock may make it more difficult for us to sell equity or equity-related securities in the future at a time and price that we deem reasonable or appropriate. In the event that the price of our stock falls, we may become involved in securities class action litigation that could divert management's attention and harm our business.

Certain holders of our common stock have entered into lock-up agreements in connection with this offering. As these lockup restrictions expire, the market price of our common stock could drop significantly if the holders of these restricted shares sell them or are perceived by the market as intending to sell them.

Further, we have registered all common stock issuable or that we may issue under our 2014 Plan, our 2017 Plan and our ESPP. As a result, these shares can be freely sold in the public market once vested and exercised, subject to the lock-up agreements referred to above. If a large number of these shares are sold in the public market, the sales could reduce our trading price.

In the future, we may also issue our securities if we need to raise additional capital or in connection with acquisitions. The number of shares of our common stock issued in connection with a financing or acquisition could constitute a material portion of our then-outstanding shares of our common stock.

***We are an “emerging growth company” and a “smaller reporting company” under the U.S. federal securities laws, and the reduced reporting requirements applicable to emerging growth companies and smaller reporting companies could make our common stock less attractive to investors.***

We are an “emerging growth company” and a “smaller reporting company” under U.S. federal securities laws. For as long as we continue to be an emerging growth company and/or a smaller reporting company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies that are not emerging growth companies or smaller reporting companies, including not being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements and (to the extent we continue to qualify as an emerging growth company) exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. We could be an emerging growth company for up to five years, although circumstances could cause us to lose that status earlier, including if the market value of our common stock held by non-affiliates exceeds \$700 million as of any June 30 date before that time, in which case, we would no longer be an emerging growth company as of the following December 31. Even if we do not qualify as an emerging growth company, we may still qualify as a smaller reporting company, which would allow us to take advantage of many of the same exemptions from disclosure requirements that are applicable to emerging growth companies. Investors may not find our common stock attractive because we may rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

***We do not currently expect to pay any cash dividends.***

The continued operation and expansion of our business will require substantial funding. Accordingly, we do not currently expect to pay any cash dividends on shares of our common stock. Any determination to pay

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## Table of Contents

dividends in the future will be at the discretion of our Board and will depend upon results of operations, financial condition, contractual restrictions, restrictions imposed by applicable law and other factors our Board deems relevant. Additionally, we expect these restrictions to continue in the future. Accordingly, if you purchase shares in this offering, realization of a gain on your investment will depend on the appreciation of the price of our common stock, which may never occur. Investors seeking cash dividends in the foreseeable future should not purchase our common stock.

***Our anti-takeover provisions could prevent or delay a change in control of our company, even if such change in control would be beneficial to our stockholders.***

Provisions of our amended and restated certificate of incorporation and amended and restated bylaws as well as provisions of Delaware law could discourage, delay or prevent a merger, acquisition or other change in control of our company, even if such change in control would be beneficial to our stockholders. These include:

- authorizing the issuance of “blank check” preferred stock that could be issued by our Board to increase the number of outstanding shares and thwart a takeover attempt;
- a provision for a classified board of directors so that not all members of our Board are elected at one time;
- the removal of directors only for cause;
- no provision for the use of cumulative voting for the election of directors;
- limiting the ability of stockholders to call special meetings;
- requiring all stockholder actions to be taken at a meeting of our stockholders (i.e. no provision for stockholder action by written consent); and
- establishing advance notice requirements for nominations for election to the Board or for proposing matters that can be acted upon by stockholders at stockholder meetings.

In addition, the Delaware General Corporation Law prohibits us, except under specified circumstances, from engaging in any mergers, significant sales of stock or assets or business combinations with any stockholder or group of stockholders who owns at least 15% of our common stock.

***Our amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or other employees.***

Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for:

- any derivative action or proceeding brought on our behalf;
- any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or to our stockholders;
- any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws; or
- any action asserting a claim against us governed by the internal affairs doctrine.

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[Table of Contents](#)

Any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed to have notice of and consented to this provision of our amended and restated certificate of incorporation. This choice-of-forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable or convenient for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find these provisions of our amended and restated certificate of incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

## CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Securities Exchange Act of 1934, as amended, and the Private Securities Litigation Reform Act of 1995, as amended, that involve substantial risks and uncertainties. These forward-looking statements are principally contained in the sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” although we make forward-looking statements throughout this prospectus. Forward-looking statements include all statements that are not statements of historical facts and can be identified by words such as “anticipates,” “believes,” “seeks,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “projects,” “should,” “could,” “will,” “would” or similar expressions and the negatives of those expressions. In particular, forward-looking statements contained in this prospectus relate to, among other things, our future financial condition and results of operations, business forecasts and plans, strategic plans and objectives, product development plans, capital needs and financing plans, use of proceeds from this offering, competitive position, industry environment, potential growth opportunities, potential market opportunities, acquisitions, compensation plans and objectives, governance structure and policies, and the price of our common stock.

Forward-looking statements represent our management’s current beliefs and assumptions based on information currently available. Forward-looking statements involve numerous known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. We discuss these risks and uncertainties in greater detail in the section entitled “Risk Factors” and elsewhere in this prospectus. Given these risks and uncertainties, you should not place undue reliance on these forward-looking statements. You should read this prospectus, and the other documents that we have filed as exhibits to the registration statement of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from the results expressed or implied by these forward-looking statements.

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

Except as required by law, we assume no obligation to update any forward-looking statements, or to update the reasons actual results could differ materially from those anticipated in these forward-looking statements, even if new information becomes available in the future.

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



## USE OF PROCEEDS

We estimate that the net proceeds to us from the sale of common stock in this offering, after deducting the underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately \$21.3 million (or \$24.6 million if the underwriters exercise their option to purchase additional shares in full), based on an assumed public offering price of \$28.98 per share (which was the last reported sale price of our common stock as reported on NASDAQ on November 14, 2017).

Each \$1.00 increase (decrease) in the assumed public offering price of \$28.98 per share, which is the last reported sale price of our common stock on NASDAQ on November 14, 2017, would increase (decrease) the net proceeds we receive from this offering by approximately \$0.8 million, assuming the number of shares offered by us, as set forth on the cover page of the prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each increase (decrease) of one hundred thousand in the number of shares we are offering would increase (decrease) the net proceeds to us from this offering by approximately \$2.7 million, assuming that the assumed public offering price remains the same, and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

The principal purposes of this offering are to increase our working capital and financial flexibility. We currently intend to use the net proceeds from this offering for working capital or other general corporate purposes. In addition, we may use a portion of the net proceeds of this offering to acquire or invest in complementary businesses, services, technologies or intellectual property rights. However, we have no agreements or commitments with respect to any material acquisitions or investments at this time.

Our expected uses of the net proceeds from this offering are based upon our present plans, objectives and business condition. As of the date of this prospectus, we cannot predict with certainty all of the particular uses for the net proceeds from this offering, and management has not estimated the amount of proceeds, or the range of proceeds, to be used for any particular purpose. The amounts and timing of our actual uses of net proceeds will vary depending on numerous factors, including the factors described in the sections entitled “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources.” As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering, and investors will be relying on our management’s judgment regarding the application of the net proceeds.

Pending the use of the net proceeds from this offering, we may invest the net proceeds in investment grade, short-term interest-bearing obligations, such as money-market funds, certificates of deposit, or direct or guaranteed obligations of the United States government, or hold the net proceeds as cash. We cannot predict whether any net proceeds invested will yield a favorable return.

**MARKET FOR COMMON STOCK AND RELATED STOCKHOLDER INFORMATION**

Our common stock is listed on NASDAQ under the symbol “VERI” and has been trading since May 12, 2017. Prior to that date, there was no public trading market for our common stock. From May 12, 2017 to May 14, 2017, our common stock traded on The NASDAQ Capital Market.

The following table sets forth for the periods indicated the high and low intraday sales prices per share of our common stock as reported on NASDAQ:

	<u>Low</u>	<u>High</u>
<b>Year ending December 31, 2017</b>		
Second Quarter (beginning May 11, 2017)	\$10.00	\$15.64
Third Quarter	\$ 7.76	\$74.92
Fourth Quarter (through November 14, 2017)	\$21.00	\$52.38

On November 14, 2017, the last reported sale price of our common stock as reported on NASDAQ was \$28.98 per share.

As of November 14, 2017, we had 56 holders of record of our common stock. The actual number of stockholders is greater than this number of record holders, and includes stockholders who are beneficial owners, but whose shares are held in street name by brokers and other nominees. This number of holders of record also does not include stockholders whose shares may be held in trust by other entities.

**DIVIDEND POLICY**

We have never declared or paid cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings for use in the operation of our business. Therefore, we do not currently expect to pay any cash dividends on our common stock for the foreseeable future. Any future determination to pay cash dividends will be at the discretion of our Board and will depend upon our results of operations, financial condition, capital requirements, general business conditions, and other factors that our Board deems relevant. Our ability to pay dividends may also be restricted by the terms of any future credit agreement or any future debt or preferred equity securities of ours or of our subsidiaries.

**CAPITALIZATION**

The following table sets forth our cash and cash equivalents and capitalization as of September 30, 2017:

- on an actual basis; and
- on an as adjusted basis to reflect the issuance and sale by us of 800,000 shares of common stock in this offering at the assumed public offering price of \$28.98 per share (which was the last reported sale price of our common stock as reported on NASDAQ on November 14, 2017), after deducting the underwriting discounts and commissions, and estimated offering expenses payable by us.

You should read the information in this table together with “Use of Proceeds,” our consolidated financial statements and the accompanying notes appearing elsewhere in this prospectus and the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” section and other financial information contained elsewhere in this prospectus.

	<u>As of September 30, 2017</u>	
	<u>Actual</u>	<u>As Adjusted (1)</u>
	<u>(in thousands, except share and per share data)</u>	
Cash and cash equivalents	\$ 20,762	\$ 42,055
Stockholders’ equity (deficit):		
Undesignated preferred stock, \$0.001 par value;		
1,000,000 shares authorized, no shares issued and outstanding, actual or as adjusted	—	—
Common stock, \$0.001 par value;		
75,000,000 shares authorized, 14,956,322 shares issued and outstanding, actual; and 15,756,322 shares issued and outstanding, as adjusted	15	16
Additional paid in capital	144,396	165,688
Accumulated other comprehensive income	(62)	(62)
Accumulated deficit	<u>(96,517)</u>	<u>(96,517)</u>
Total stockholders’ equity	<u>47,832</u>	<u>69,125</u>
Total capitalization	<u>\$ 47,832</u>	<u>\$ 69,125</u>

- (1) Each \$1.00 increase (decrease) in the assumed public offering price of \$28.98 per share, which is the last reported sale price of our common stock on NASDAQ on November 14, 2017, would increase (decrease) each of our as adjusted cash and cash equivalents, additional paid-in capital, accumulated deficit, total stockholders’ equity and total capitalization by approximately \$0.8 million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions. Similarly, each increase (decrease) of one hundred thousand shares in the number of shares offered by us would increase (decrease) each of our as adjusted cash and cash equivalents, additional paid-in capital, accumulated deficit, total stockholders’ equity and total capitalization by approximately \$2.7 million, assuming the assumed offering price remains the same and after deducting the estimated underwriting discounts and commissions.

If the underwriters’ option to purchase additional shares of common stock is exercised in full, the as adjusted amount of each of cash and cash equivalents, accumulated deficit, total stockholders’ equity (deficit), and total capitalization would be \$45.3 million, \$96.5 million, \$72.4 million, and \$72.4 million, respectively, after deducting estimated underwriting discounts and commissions and estimated operating expenses payable by us.

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## Table of Contents

The number of shares of our common stock to be outstanding after this offering is based upon 14,956,322 shares of our common stock outstanding as of September 30, 2017, and excludes:

- 4,362,592 shares of our common stock issuable upon exercise of stock options outstanding as of September 30, 2017 under the 2014 Plan at a weighted-average exercise price of \$13.21 per share;
- 199,350 shares of our common stock issuable upon exercise of stock options outstanding as of September 30, 2017 under the 2017 Plan at a weighted-average exercise price of \$8.24 per share;
- 35,576 shares of our common stock issuable upon the vesting of restricted stock units outstanding as of September 30, 2017 under the 2017 Plan;
- 1,752,482 shares of our common stock reserved for future grants under the 2017 Plan;
- 1,000,000 shares of our common stock reserved for future issuance under the ESPP; and
- 1,524,573 shares of our common stock issuable upon exercise of warrants outstanding as of September 30, 2017 at a weighted average exercise price of \$12.71 per share.

## DILUTION

If you invest in our common stock in this offering, your ownership interest will be immediately diluted to the extent of the difference between the public offering price per share of our common stock and the as adjusted net tangible book value per share of our common stock after this offering.

Net tangible book value per share represents our total tangible assets (total assets less intangible assets) less total liabilities divided by the total number of shares of common stock outstanding as of September 30, 2017. As of September 30, 2017, our historical net tangible book value was \$47.5 million, or \$3.17 per share of common stock.

Our as adjusted net tangible book value as of September 30, 2017 would have been \$68.8 million, or \$4.37 per share of common stock, after giving effect to the sale by us of 800,000 shares of our common stock in this offering at the assumed offering price of \$28.98 per share, the last reported sale price of our common stock on NASDAQ on November 14, 2017, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. This represents an immediate increase in net tangible book value of \$1.19 per share to existing stockholders and an immediate dilution in net tangible book value of \$24.61 per share to investors purchasing common stock in this offering. The following table illustrates this per share dilution:

Public offering price per share	\$28.98
Net tangible book value per share of common stock as of September 30, 2017	\$3.17
Increase in net tangible book value per share attributable to new investors in this offering	1.19
Adjusted net tangible book value per share as of September 30, 2017, after giving effect to this offering	<u>4.37</u>
Dilution in net tangible book value per share to new investors in this offering	<u>\$24.61</u>

If the underwriters exercise their over-allotment option in full in this offering, the as adjusted net tangible book value after the offering would be \$4.54 per share, the increase in as adjusted net tangible book value per share to existing stockholders would be \$0.17 and the dilution in net tangible book deficit per share to new investors would be \$24.44 per share.

A \$1.00 increase (decrease) in the assumed public offering price of \$28.98 per share, the last reported sale price of our common stock on NASDAQ on November 14, 2017, would increase (decrease) our net tangible book value, as adjusted to give effect to this offering, by \$0.05 per share and the dilution in as adjusted net tangible book value per share to new investors in this offering by \$0.05 per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions. Similarly, each increase of one hundred thousand shares in the number of shares offered by us in this offering would increase our as adjusted net tangible book value per share, and decrease the dilution per share to investors in this offering, by \$0.14 per share. Each decrease of one hundred thousand shares in the number of shares offered by us would decrease our as adjusted net tangible book value per share, and increase the dilution per share to investors in this offering, by \$0.15 per share.

The table and discussion above exclude the following:

- 4,362,592 shares of our common stock issuable upon exercise of stock options outstanding as of September 30, 2017 under the 2014 Plan at a weighted-average exercise price of \$13.21 per share;
- 199,350 shares of our common stock issuable upon exercise of stock options outstanding as of September 30, 2017 under the 2017 Plan at a weighted-average exercise price of \$8.24 per share;
- 35,576 shares of our common stock issuable upon the vesting of restricted stock units outstanding as of September 30, 2017 under the 2017 Plan;

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## Table of Contents

- 1,752,482 shares of our common stock reserved for future grants under the 2017 Plan;
- 1,000,000 shares of our common stock reserved for future issuance under the ESPP; and
- 1,524,573 shares of our common stock issuable upon exercise of warrants outstanding as of September 30, 2017 at a weighted average exercise price of \$12.71 per share.

**SELECTED CONSOLIDATED FINANCIAL DATA**

You should read the following selected consolidated financial data in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and the related notes appearing elsewhere in this prospectus. The following tables set forth our selected consolidated financial data as of and for the periods indicated below. We have derived the summary consolidated statement of operations data for the years ended December 31, 2016 and 2015 from our audited consolidated financial statements included elsewhere in this prospectus. We have derived the summary unaudited consolidated statement of operations data for the nine months ended September 30, 2017 and 2016 and our unaudited consolidated balance sheet data as of September 30, 2017 from our unaudited interim consolidated financial statements included elsewhere in this prospectus. The unaudited interim consolidated financial statements were prepared on a basis consistent with our annual financial statements and include, in the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for the fair statement of the financial information contained in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future, and our interim results are not necessarily indicative of the results to be expected for the full year or any other period.

	Year Ended December 31,		Nine Months Ended	
	2016	2015	September 30, 2017	2016
<b>(in thousands, except share and per share data)</b>				
<b>Consolidated Statements of Operations Data:</b>				
Net revenues	\$ 8,911	\$ 13,928	\$ 10,914	\$ 6,408
Cost of revenue	1,577	1,860	824	1,067
Gross profit	7,334	12,068	10,090	5,341
Operating expenses:				
Sales and marketing (1)	8,279	5,735	9,689	5,688
Research and development (1)	7,900	4,633	9,613	5,357
General and administrative (1)	14,935	7,990	24,722	10,723
Total operating expenses	31,114	18,358	44,024	21,768
Loss from operations	(23,780)	(6,290)	(33,934)	(16,427)
Other income (expense), net	(3,193)	85	(12,872)	(1,483)
Loss before provision for income taxes	(26,973)	(6,205)	(46,806)	(17,910)
Provision for income taxes	6	5	5	5
Net loss	\$ (26,979)	\$ (6,210)	(46,811)	(17,915)
Accretion of redeemable convertible preferred stock	(3,204)	(3,330)	(4,470)	(2,383)
Net loss attributable to common stockholders	\$ (30,183)	\$ (9,540)	\$ (51,281)	\$ (20,298)
<b>Per Share Data:</b>				
Net loss per share attributable to common stockholders, basic and diluted	\$ (14.59)	\$ (6.73)	\$ (5.94)	\$ (10.37)
Weighted average shares used to compute basic and diluted net loss per share	2,068,334	1,416,732	8,640,178	1,957,596

footnotes on following page



## [Table of Contents](#)

	<u>As of September 30, 2017</u>	
	As	
	<u>Actual</u>	<u>Adjusted (2)</u>
	<u>(in thousands)</u>	
<b>Consolidated Balance Sheet Data (unaudited):</b>		
Cash and cash equivalents	\$20,762	\$ 42,055
Working capital (deficit)	\$46,673	\$ 67,966
Total assets	\$79,682	\$ 100,975
Total liabilities	\$31,850	\$ 31,850
Total stockholders' equity (deficit)	\$47,832	\$ 69,125

*footnotes from prior page*

- (1) Includes stock-based compensation expense as follows:

	<u>Year Ended</u>		<u>Nine Months Ended</u>	
	<u>December 31,</u>		<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2017</u>	<u>2016</u>
	<u>(in thousands)</u>			
Sales and marketing	\$ 71	\$ 81	\$ 276	\$ 51
Research and development	31	20	261	17
General and administrative	1,628	26	13,074	1,520
Total stock-based compensation expense	<u>\$1,730</u>	<u>\$127</u>	<u>\$13,611</u>	<u>\$1,588</u>

- (2) The as adjusted column in the consolidated balance sheet data table above gives effect to the sale and issuance by us of 800,000 shares of our common stock in this offering at an assumed public offering price of \$28.98 per share, (which was the last reported sale price of our common stock as reported on NASDAQ on November 14, 2017), and after deducting underwriting discounts and commissions and estimated offering expenses payable by us.

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

You should read the following discussion and analysis of our financial condition and results of operations together with our consolidated financial statements and the related notes and other financial information included elsewhere in this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties. You should review the "Cautionary Note Regarding Forward-Looking Statements" and "Risk Factors" sections of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

**Overview**

Our proprietary platform unlocks the power of AI-based cognitive computing so that audio, video and other unstructured data can be transformed and analyzed in conjunction with structured data in a seamless, automated manner to generate actionable intelligence for enterprises of all sizes. Our AI operating system, aiWARE, integrates and orchestrates an ecosystem of best-of-breed cognitive engines, together with our suite of powerful applications, to reveal valuable multivariate insights from vast amounts of structured and unstructured data.

Operating results for the periods presented herein include the following (in thousands, except per share data and percentages):

	Year Ended December 31,		Nine Months Ended September 30,	
	2016	2015	2017	2016
	(dollars in thousands)			
Net revenues	\$ 8,911	\$13,928	\$ 10,914	\$ 6,408
Cost of revenues	1,577	1,860	824	1,067
Gross profit	7,334	12,068	10,090	5,341
Gross margin	82.3%	86.6%	92.5%	83.3%
Total operating expenses	31,114	18,358	44,024	21,768
Net loss	\$(26,979)	\$ (6,210)	\$(46,811)	\$(17,915)
Per share data:				
Net loss per share attributable to common stockholders, basic and diluted	\$ (14.59)	\$ (6.73)	\$ (5.94)	\$ (10.37)

During the years ended December 31, 2016 and 2015, our net revenues were \$8.4 million and \$13.9 million, respectively, from our Media Agency Business and \$0.5 million and less than \$0.1 million, respectively, from our AI Platform Business. During the nine months ended September 30, 2017 and 2016, our net revenues were \$9.9 million and \$6.2 million, respectively, from our Media Agency Business and \$1.0 million and less than \$0.2 million, respectively, from our AI Platform Business.

**Media Agency Business**

Since our inception, we have generated most of our revenues from our media placement services performed under advertising contracts with our media clients. Our media agency services include media planning and strategy, media buying and placement, campaign messaging, clearance verification and attribution and custom analytics. We typically enter into agency contracts with our Media Agency customers that do not have a fixed term, but generally can be cancelled by us or the customer upon 30 to 90 days prior written notice without penalty.

The key performance indicators for our Media Agency Business include: (i) number of new customers, (ii) total number of customers with active media campaigns, (iii) average media spend per customer and (iv) net

## Table of Contents

revenue. Tracking the number of new and active customers provides us with insight regarding our ability to grow the market share of our Media Agency Business by winning new customers, as well as regarding customer churn. By tracking media spend by customer, we can analyze not only spending trends, but our ability to grow media spend with existing customers. The following table sets forth the results for each of our key performance indicators for each quarterly period ended December 31, 2016 and for the nine months ended September 30, 2017.

	Quarter Ended						
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
Net New Customers Added During Quarter	4	12	6	15	8	16	9
Customers with Active Media Campaigns During Quarter	30	35	35	39	39	45	49
Average Media Spend per Active Customer During Quarter (\$000's)	\$ 602	\$ 499	\$ 560	\$ 572	\$ 670	\$ 695	\$ 649
Net Revenue During Quarter (\$000's)	\$ 2,036	\$ 1,938	\$ 2,223	\$ 2,207	\$ 2,899	\$ 3,739	\$ 3,288

In the past, our Media Agency Business has experienced volatility in its net revenues due to a number of factors, including (i) the timing of new large account wins, (ii) loss of customers who choose to replace our services by bringing their advertising placement in-house, (iii) customers who experience reductions in their advertising budgets due to issues with their own business, (iv) losses of customers who change providers from time to time based largely on pricing, and (v) the seasonality of the campaigns for certain large customers. Our Media Agency Business is also reliant on certain large key customers and has historically generated a significant portion of its net revenues from a few major customers. During the nine months ended September 30, 2017, our ten largest customers by revenue collectively accounted for approximately 73% of our Media Agency net revenues. In addition, our two largest customers by revenue in 2015, LifeLock, Inc. and DraftKings, Inc., collectively accounted for approximately 43% of our net revenues in 2015, but only approximately 10% of our net revenues in 2016. During 2016, our net revenues from this business declined compared with 2015, primarily because (i) LifeLock, Inc. chose to replace our media placement services by bringing their advertising placement in-house, and (ii) DraftKings, Inc. experienced a reduction in business activity and their media purchases due to legal restrictions imposed on them in certain jurisdictions for a period of time. If we lose any key customers or their media spending with us declines significantly, our business, results of operations and financial condition would be harmed.

### Development of Our AI Platform Business

Our proprietary platform unlocks the power of AI cognitive computing so that audio, video and other unstructured data can be transformed and analyzed in conjunction with structured data in a seamless, automated manner to generate actionable intelligence for enterprises of all sizes. Our AI operating system, aiWare, integrates and orchestrates an ecosystem of best-of-breed cognitive engines, together with our powerful suite of applications, to reveal valuable multivariate insights from vast amounts of structured and unstructured data.

We are in the early stages of developing our AI Platform Business and are targeting industries that capture or use audio and video data, including in the media, politics, legal, government and other vertical markets. While we are in the process of rolling out our AI platform in a variety of markets, we have generated revenue from our AI Platform Business primarily in the media market.

We track key performance indicators as we continue to develop and grow our AI Platform Business. The key performance indicators for our AI Platform Business include: (i) total number of accounts on the platform, (ii) number of active third-party cognitive engines on the platform, (iii) hours of data processed, (iv) total

## Table of Contents

contract value (TCV) of new bookings, (v) monthly recurring revenue under active agreements, and (vi) net revenue. The following table sets forth our key performance indicators for each quarterly period ended December 31, 2016 and for the nine months ended September 30, 2017.

	Quarter Ended						
	March 31, 2016	June 30, 2016	September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017	September 30, 2017
Total Accounts on Platform at Quarter End	4	8	14	23	57	169	170
Active Third-Party Cognitive Engines at Quarter End	11	19	28	41	48	69	122
Hours of Data Processed During Quarter	190,000	178,000	331,000	447,000	367,000	438,000	711,000
Total Contract Value (TCV) of New Bookings Received During Quarter (\$000's)	\$ 156	\$ 126	\$ 394	\$ 163	\$ 1,947	\$ 151	\$ 2,645
Monthly Recurring Revenue under Agreements in Effect at Quarter End (\$000's)	\$ 14	\$ 24	\$ 72	\$ 46	\$ 60	\$ 132	\$ 135
Net Revenue During Quarter (\$000's)	\$ 40	\$ 73	\$ 98	\$ 296	\$ 209	\$ 348	\$ 431

We commenced commercial licensing of our SaaS solutions in April 2015 with an initial focus on the media market to provide media owners and broadcasters with visibility on ad placements and the effectiveness of their media campaigns. We generally license access to our platform via a SaaS model directly to such media owners and broadcasters, and in the first nine months of 2017, we signed license agreements with a leading national news and sports radio network, a major financial news television network, and the largest operator of radio stations in the United States, among others. In the politics market, we have licensed our platform to political parties, consultants, candidates and special interest groups, who can use our platform to search and analyze large amounts of public and private media.

In the legal market, during the first quarter of 2017, we completed the integration of our platform with Relativity, an industry leading eDiscovery software platform, enabling users to perform large scale analytics of audio and video discovery files using our AI platform within the Relativity environment. As of September 30, 2017, we had entered into 35 reseller agreements with providers of eDiscovery services and solutions.

The funding provided by the Acacia investment (described below) in August 2016 and by our initial public offering in May 2017 has allowed us to expand our engineering team to continue the development and expansion of the capabilities of our AI platform, as well as to expand our sales and marketing team, both of which have enabled us to grow our AI Platform Business significantly. We expect to continue to invest significant resources and capital into developing our AI Platform Business, and therefore do not expect to achieve profitability in the foreseeable future.

### Factors Affecting Our Performance

We believe that the growth of our business and our future success are dependent upon many factors, including market acceptance of our product, becoming a market leader, the success of our sales and marketing efforts, our expansion strategy, our investments for operational scale and our international growth. While each of these areas presents significant opportunities for us, they also pose important challenges that we must successfully address in order to sustain the growth of our business and improve our results of operations. The

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## Table of Contents

investments that we make in these areas may not result in increased revenue or operating profit. Accordingly, these investments may delay or otherwise impair our ability to achieve profitability. The timing of our future profitability will depend upon many variables, including the success of our growth strategies and the timing and size of investments and expenditures that we choose to undertake, as well as market growth and other factors that are not within our control. We have not yet determined when we expect to achieve profitability.

**Product and Market Leadership.** We are committed to delivering market-leading products to continue to build and maintain credibility within the markets that we serve. We believe we must maintain and further develop our product and market position and strengthen our brand to drive future revenue growth. We intend to continue to invest in our engineering, product capabilities and marketing activities to maintain and expand our position in the markets we serve. Our results of operations may fluctuate as we make these investments to drive increased customer adoption and usage of our platform.

To deliver a highly valued service offering and market-leading products to our customers, we need to add additional third-party cognitive engines to our platform. We measure the number of third-party cognitive engines that are active at the end of each period and establish goals for adding new cognitive engines each quarter. During 2016, we integrated approximately 30 new third-party cognitive engines onto our platform. During the first nine months of 2017, we integrated 81 new third-party cognitive engines onto our platform.

**Sales and Marketing.** In order to acquire new customers in an efficient manner, we must maintain and expand our grassroots business development efforts and effectively generate additional sales to enterprises and customers across our targeted vertical markets.

**Expansion Strategy.** We are focused on expanding our existing customers' use of our products and platform. We believe that there is a significant opportunity to drive additional sales to existing customers, and expect to invest in additional sales, marketing and customer service capabilities to support this growth.

In our AI Platform Business, we are in the early stages of selling to large media companies. Our sales approach is to initially license our platform to these companies for use in one of their markets as a test. We believe that once these customers use our platform and understand its capabilities and value, many of them will choose to utilize our platform in their other markets. We expect to measure the success of this strategy by analyzing the number of new customers acquired and our revenues per customer.

**Investments to Increase Scale.** As our business grows and as we continue our platform optimization efforts, we expect to realize cost savings through improved economies of scale. In some cases, we may pass on these savings to our customers in the form of lower usage prices. In addition, such potential cost savings may be offset, partially or completely, by higher costs related to the release of new products and our expansion into new geographies. In addition, in some instances, we may acquire certain larger customers that we consider to be strategically important but that generate a lower gross margin. As a result, we expect our gross margins to fluctuate from period to period.

### **Acquisition of ROIM, Inc. and NextMedium, LLC**

In July 2014, we acquired ROIM, Inc., a Delaware corporation, or ROIM, and NextMedium, LLC, a Delaware limited liability company, or NM, through a series of transactions between entities where common control existed, as described below. ROIM was renamed "Veritone Media, Inc.," and was subsequently renamed "Veritone One, Inc." in January 2017. NM was subsequently renamed "Veritone, LLC." ROIM and NM are now wholly-owned subsidiaries of our company.

On June 17, 2014, ROIM Acquisition Corporation, or RAC, was incorporated as a transitory entity for the purpose of acquiring the assets of ROIM. On July 14, 2014, RAC and an affiliated entity, Brand Affinity Technologies, Inc., or BAT, entered into an Asset Purchase Agreement, or the ROIM Agreement, pursuant to

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## Table of Contents

which RAC purchased, or the BAT Purchase, (i) all of the outstanding shares of capital stock of ROIM and (ii) certain intellectual property, or the BAT IP, from BAT in exchange for 2,161,938 shares of RAC's Class B common stock and a promissory note of RAC payable to BAT in the original principal amount of \$885,194, or the BAT Note.

In connection with the ROIM Agreement, RAC also assumed the following promissory notes: (i) two senior secured promissory notes of BAT dated October 24, 2012 and March 19, 2013 in the original aggregate principal amount of \$2,000,000, or the NCI Notes, payable to Newport Coast Investments, LLC, a California limited liability company beneficially owned by Chad and Ryan Steelberg, or NCI, (ii) two senior secured promissory notes of BAT dated October 24, 2012 and March 19, 2013 payable to Brand Affinity, LLC, an unaffiliated Illinois limited liability company, or BALLC, in the original principal amount of \$2,000,000, or the BALLC Notes, and (iii) certain senior secured promissory notes of BAT dated as of dates between September 27, 2013 and December 26, 2013 in the original aggregate principal amount of \$4,900,000, or the BAT Bridge Notes. The holders of the BAT Bridge Notes described in subsection (iii) above are collectively referred to as the "BAT Noteholders."

On July 15, 2014, prior to the RAC Merger described below, the BAT Noteholders exchanged the BAT Bridge Notes for an aggregate of 1,038,066 shares of Class B common stock of RAC. The NCI Notes, the BALLC Notes and the BAT Bridge Note remained outstanding and were assumed by us in connection with the RAC Merger.

On July 15, 2014, we and the members of NM entered into a Unit Purchase Agreement, pursuant to which we acquired all of the outstanding membership interests in NM in exchange for the issuance to the members of NM of an aggregate of 900,000 shares of our common stock and 3,000,000 shares of our Series A preferred stock, or the NM Transfer.

On July 15, 2014, we and each of the stockholders of RAC entered into an Agreement and Plan of Merger, pursuant to which RAC was merged with and into our company, with our company as the surviving company in the merger, or the RAC Merger. In connection with the RAC Merger, all of the outstanding capital stock of RAC was converted into an aggregate of 800,000 shares of our common stock and 2,666,667 shares of our Series A-1 preferred stock. The NCI Notes, the BALLC Notes and the BAT Bridge Note assumed by us in connection with the RAC Merger were repaid in full in July 2014.

The terms of our Series A preferred stock and Series A-1 preferred stock issued in the NM Transfer and the RAC Merger were substantially identical except for the adverse treatment of the Series A-1 preferred stock in the event certain indemnification claims were made pursuant to the merger agreement in the RAC Merger. No indemnification claims were made under such merger agreement, and accordingly, all of the outstanding shares of Series A-1 preferred stock were automatically converted into shares of our Series A preferred stock on a one-for-one basis in July 2016.

The above transactions were considered transactions between entities under common control pursuant to FASB ASC805-50, as the same group of stockholders (Chad Steelberg and Ryan Steelberg) beneficially owned more than 50% of the voting ownership interest of BAT and RAC, and of NM and our company, at the time of the respective transactions. Accordingly, upon completion of the NM Transfer and the RAC Merger, the assets and liabilities acquired and assumed by us through the NM Transfer and the RAC Merger were recorded at their carrying value by the respective predecessor entities without any step up in value or the recognition of any goodwill. In addition, since the expenses related to the development of the BAT IP had been expensed and not capitalized by BAT, there was no predecessor carrying value for the BAT IP. As a result of us having assumed liabilities in excess of the carrying value of the net assets acquired in the RAC Merger, Additional Paid In Capital was negative and therefore, the book value of the Series A-1 preferred stock issued in connection with such transaction was recorded as \$0. Conversely, in connection with the NM Transfer, for which the carrying value of the net assets acquired was positive, the corresponding issuances of our common stock and Series A preferred stock were accounted for based upon the allocation of the carrying value of the net assets acquired.

### **Acacia Investment**

On August 15, 2016, we entered into an Investment Agreement with Acacia, or the Investment Agreement, that provided for Acacia to invest up to \$50 million in our company, consisting of both debt and equity components. Pursuant to the Investment Agreement, we entered into a convertible secured promissory note that provided for up to \$20 million in borrowings through two \$10 million advances, each bearing interest at the rate of 6.0% per annum. On August 15, 2016, we borrowed \$10 million that initially had a one-year term, or the First Loan, and, on November 25, 2016, we borrowed the remaining \$10 million under the Acacia Note, or the Second Loan. The Second Loan also had a one-year term from the date of issuance. Upon the borrowing of the Second Loan, the maturity date of the First Loan was automatically extended to the maturity date of the Second Loan, with both loans becoming due and payable on November 25, 2017. The Acacia Note was secured by substantially all of our assets pursuant to a security agreement that we entered into with Acacia dated August 15, 2016, which was amended and restated in March 2017 in connection with our Bridge Loan. Upon the completion of our initial public offering in May 2017, the outstanding \$20 million principal and all accrued interest under the Acacia Note was converted into 1,523,746 shares of our common stock at a conversion price of \$13.6088 per share.

Pursuant to the Investment Agreement, we also issued to Acacia a five-year warrant, or the Primary Warrant, to purchase up to a number of shares of our common stock determined by dividing (i) \$50 million, less all outstanding principal and accrued interest under the Acacia Note, by (ii) an exercise price per share ranging from \$13.3028 to \$13.7323, with the actual exercise price per share to be determined by the amount of principal and accrued interest under the Acacia Note that was converted into our common stock. In March 2017, we amended the Primary Warrant to provide that it would be automatically exercised in full upon the closing of our initial public offering, and that the exercise price thereof would be equal to the lower of \$13.6088 or our initial public offering price per share. Upon the completion of our initial public offering, the Primary Warrant was automatically exercised in full at an exercise price of \$13.6088 per share, and we issued to Acacia an aggregate of 2,150,335 shares of our common stock in exchange for cash proceeds of \$29.3 million.

In conjunction with the First Loan, we issued to Acacia a four-year warrant to purchase a number of shares of our common stock determined by dividing \$0.7 million by an exercise price per share ranging from \$8.0833 to \$13.7323, with the actual exercise price to be determined by the type and/or valuation of our future equity financings. In conjunction with the Second Loan in November 2016, we issued to Acacia two additional four-year warrants, each to purchase a number of shares of our common stock determined by dividing \$0.7 million by an exercise price per share ranging from \$8.0833 to \$13.7323, with the actual exercise price to be determined by the type and/or valuation of our future equity financings. In March 2017, in connection with the amendment of the Primary Warrant, each of these warrants was amended to provide that the exercise prices thereof would be equal to the lower of \$13.6088 or our initial public offering price per share. As a result, upon completion of our initial public offering, each of these warrants became exercisable to purchase 51,437 shares of common stock, or an aggregate of 154,311 shares of common stock, at an exercise price of \$13.6088 per share.

Upon the exercise in full of the Primary Warrant in connection with our initial public offering, we issued to Acacia the 10% Warrant, with a term of five years, which provided for the issuance of 809,400 shares of our common stock at an exercise price of \$13.6088 per share. Fifty percent of the shares underlying the 10% Warrant vested upon the issuance of the 10% Warrant and the remaining fifty percent of the shares will vest on the first anniversary of the issuance date of the 10% Warrant.

### **Bridge Loan Financing**

In March 2017, we entered into a note purchase agreement, or the Note Purchase Agreement, with Acacia and Veritone LOC I, LLC, or VLOC, together we refer to as the Lenders, which provided for an \$8 million line of credit pursuant to secured convertible notes that accrued interest at the rate of eight percent (8%) per year, compounded quarterly, or the Bridge Notes, with Acacia and VLOC each purchasing equal amounts of the Bridge Notes. The Bridge Notes were due and payable on November 25, 2017, and our obligations under such

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## **Table of Contents**

Bridge Notes were secured by a security interest in substantially all of our assets, which was of equal priority to the security interest of Acacia under the Acacia Note. We borrowed the initial \$2.0 million installment under the Bridge Loan in March 2017, and we borrowed the second \$2.0 million installment in April 2017. Prior to the completion of our initial public offering, the Lenders exercised their options to advance the remaining \$4.0 million available under the Bridge Loan. Upon the completion of our initial public offering, all of the \$8.0 million of principal and all accrued interest under the Bridge Notes were automatically converted into an aggregate of 590,717 shares of our common stock at a conversion price of \$13.6088 per share.

In connection with the Bridge Loan, we issued an aggregate of 120,000 shares of our common stock to the Lenders upon the execution of the Note Purchase Agreement. In addition, in connection with the funding of the \$8.0 million principal amount of the Bridge Loan, we issued to the Lenders an aggregate of 180,000 shares of our common stock and warrants to purchase an aggregate of 240,000 shares of our common stock. Such warrants were automatically adjusted upon completion of the initial public offering to be exercisable to purchase an aggregate of 313,440 shares of our common stock (representing 1.5% of our fully-diluted shares outstanding immediately following completion of our initial public offering) at an exercise price of \$13.6088 per share, and have terms of ten years following the date of issuance.

### **Redeemable Convertible Preferred Stock**

Upon completion of our initial public offering on May 17, 2017, all of our Series B preferred stock outstanding as of such date, which had a liquidation preference of \$18.7 million, was automatically converted into an aggregate of 2,309,135 shares of our common stock, and all of our Series A preferred stock outstanding as of such date, which had a liquidation preference of \$8.6 million, was automatically converted into an aggregate of 2,922,798 shares of our common stock.

### **Initial Public Offering**

In May 2017, we completed the initial public offering of our common stock. In connection with our initial public offering, we issued 2,500,000 shares of our common stock at a price to the public of \$15.00 per share. Our shares of common stock began trading on The NASDAQ Capital Market on May 12, 2017, and began trading on the NASDAQ on May 15, 2017. As a result of our initial public offering, we received approximately \$32.6 million in net proceeds, after deducting underwriting discounts, commissions and offering costs of approximately \$4.9 million. Upon completion of our initial public offering, all outstanding principal and accrued interest under the Acacia Note and the Bridge Loan were converted into shares of our common stock, the Primary Warrant was exercised in full by Acacia and all of our outstanding shares of Series A preferred stock and Series B preferred stock were converted into shares of our common stock.

### **Stock Repurchases**

On April 22, 2015, we entered into an asset purchase agreement with BAT, pursuant to which we repurchased and retired 511,218 shares of our common stock and 1,704,060 shares of our Series A-1 preferred stock, for a total purchase price of \$1,419,000. This repurchase was conducted at a price less than the fair value of our common stock and Series A-1 preferred stock at the date of repurchase. In conjunction with the repurchase of these shares, we recorded a debit to accumulated deficit in the amount of \$773,000 in our consolidated balance sheet as of December 31, 2015.

On July 21, 2015, we entered into an asset purchase agreement with ad pepper media International N.V., pursuant to which we repurchased and retired 14,373 shares of our common stock and 47,910 shares of our Series A-1 preferred stock, for a total purchase price of \$39,895. This repurchase was conducted at a price less than the fair value of our common stock and Series A-1 preferred stock at the date of repurchase. In conjunction with the repurchase of these shares, we recorded a debit to accumulated deficit in the amount of \$16,000 in our consolidated balance sheet as of December 31, 2015.



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## [Table of Contents](#)

In connection with the settlement of litigation with a former employee, on January 4, 2017, we repurchased 7,500 shares of our common stock from such employee for a purchase price of \$7.50 per share, for a total purchase price of \$56,000, constituting the estimated fair value of such stock at the time.

### **Net Loss Carryforwards**

At December 31, 2016, we had federal and state net operating loss carryforwards, or NOLs, of approximately \$32.6 million and \$32.4 million, respectively. If not utilized, the federal and state NOLs will expire at various dates beginning in 2034. At present, we believe that it is more likely than not that the federal and state NOLs will not be realized. Accordingly, a full valuation allowance, in the amount of \$9.9 million, has been established against our net deferred tax assets, including our NOLs, as of December 31, 2016.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, or the Code, a corporation that undergoes an “ownership change” (generally defined as a greater than 50-percentage-point cumulative change (by value) in the equity ownership of certain stockholders over a rolling three-year period) is subject to limitations on its ability to utilize its pre-change NOLs to offset post-change taxable income. Our existing NOLs may be subject to limitations arising from previous ownership changes, and if we undergo an ownership change in connection with or after this offering, our ability to utilize NOLs could be further limited by Section 382 of the Code. In addition, future changes in our stock ownership, some of which may be outside of our control, could result in an ownership change under Section 382 of the Code. The amount of such limitations, if any, has not been determined.

There is also a risk that due to regulatory changes, such as suspensions on the use of NOLs, or other unforeseen reasons, our existing NOLs could expire or otherwise be unavailable to offset future income tax liabilities. For these reasons, we may not be able to realize a tax benefit from the use of our NOLs, even if we attain profitability.

### **Components of Our Results of Operations**

#### ***Net Revenues***

Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) all obligations have been substantially performed pursuant to the terms of the arrangement, (iii) amounts are fixed or determinable, and (iv) the collectability of amounts is reasonably assured.

*Media Agency Revenues, Net.* We have historically generated revenue primarily from services performed under our advertising contracts. Our advertising contracts typically provide for us to receive a percentage, averaging approximately 10%, of the total dollar amount of the advertising placements of our Media Agency customers, and generally may be cancelled by our customers upon 30 to 90 days prior written notice. Media providers, such as radio stations, are required to provide proof of service that the advertising was actually run or aired before we can recognize any revenue. In general, the earnings process is complete and revenue is recognized when the service is performed and accepted in accordance with the terms of the client arrangement, and when all other revenue recognition criteria have been met. Our Media Agency customers are often required to make a deposit for or pre-pay their media advertising plan. Such amounts are reflected as customer advances on our consolidated balance sheets until all revenue recognition criteria have been met. Pursuant to our advertising contracts, we are deemed to be an agent and, as such, under generally accepted accounting principles, we record revenues on a net basis, whereby the costs charged by the media providers for the advertisements are netted against the gross revenues received from our customers for the media placements.

## Table of Contents

A summary of gross and net media agency revenues for the periods presented is as follows (in thousands):

	Year Ended December 31,		Nine Months Ended September 30,	
	2016	2015	2017	2016
Gross media placements	\$ 75,074	\$ 109,919	\$ 87,756	\$ 53,910
Media placements billed directly to clients	64,923	98,937	74,717	46,496
Media related costs netted against billings (1)	(56,519)	(85,050)	(64,791)	(40,299)
Net media agency revenues reported	<u>\$ 8,404</u>	<u>\$ 13,887</u>	<u>\$ 9,926</u>	<u>\$ 6,197</u>

- (1) Of the amounts billed directly to customers, this amount represented media related costs netted against such billings in the accompanying consolidated statements of operations as required by generally accepted accounting principles.

**SaaS Revenues.** We also derive revenue from our SaaS offerings, with fixed and variable payment components, relating to our customers' use of our platform and other related services. SaaS licensing arrangements historically have had initial terms that generally range in duration from 3 to 24 months, and are typically renewable on an annual basis.

We allocate the value of the SaaS license arrangement to each separate unit of accounting based on an estimated selling price of each separate unit. Revenue allocated to the SaaS/software subscription element is recognized ratably over the non-cancellable term of the SaaS/subscription service. We recognize revenue allocated to other units of accounting included in the arrangement upon the earlier of the completion of the service or the expiration of the customer's right to receive the service. Customers are billed in arrears for services used. Our SaaS contracts typically provide for a minimum monthly usage commitment.

Our contracts with our customers generally do not contain return rights. However, credits may be issued to customers on a case-by-case basis. These contracts do not provide customers with the right to take possession of the software supporting the applications.

During the years ended December 31, 2016 and 2015, we recognized \$0.5 million and less than \$0.1 million in SaaS license revenues, respectively. During the nine months September 30, 2017 and 2016, we recognized \$1.0 million and \$0.2 million in SaaS license revenues, respectively.

### Cost of Revenue and Gross Margin

Cost of revenue consists primarily of fees paid to our vendors related to media processing, creative production and cloud infrastructure fees. Our arrangements with our cognitive engine vendors generally require us to pay fees based on the volume of media that we process. Our arrangements with AWS, Microsoft Azure and Iron.io, our cloud infrastructure providers, require us to pay fees based on computing time, storage and reserved computing capacity. Our gross margin has been and is expected to continue to be affected by a number of factors, including the volume and type of the media that we process and the type and cost of the cognitive engines utilized to process such media.

### Operating Expenses

The most significant components of operating expenses are personnel costs, which consist of salaries, benefits, bonuses and stock-based compensation. We also incur other non-personnel costs related to our general overhead expenses. We expect that our operating costs will continue to increase in absolute dollars for the foreseeable future.

- **Sales and Marketing.** Sales and marketing expenses consist primarily of personnel costs, including commissions for our sales employees. Sales and marketing expenses also include expenditures related

to advertising, marketing, our brand awareness activities and professional services fees. We plan to continue to focus our sales and marketing efforts on generating awareness of our company, platform and products through our direct sales organization, distributor partners and self-service model, creating sales leads and establishing and promoting our brand. We plan to continue investing in sales and marketing by increasing our sales and marketing headcount, supplementing our self-service model with an enterprise sales approach, expanding our sales channels, driving our go-to-market strategies, building our brand awareness and sponsoring additional marketing events.

- *Research and Development.* Research and development expenses consist primarily of personnel costs and outsourced engineering services. We plan to continue to focus our research and development efforts on adding new products and features to our existing products, including new use cases, improving our platform and increasing the functionality of our existing products.
- *General and Administrative.* General and administrative expenses consist primarily of personnel costs for our accounting, finance, legal, human resources, operations and administrative support personnel and executives. General and administrative expenses also include costs related to financing transactions, legal and other professional services fees, sales and other taxes, depreciation and amortization. We expect that we will incur costs associated with supporting the growth of our business and meeting the increased compliance requirements associated with both our international expansion and our transition to, and operation as, a public company.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions about future events that affect amounts reported in our consolidated financial statements and related notes, as well as the related disclosure of contingent assets and liabilities at the date of the financial statements. Management evaluates its accounting policies, estimates, and judgments on an on-going basis. Management bases its estimates and judgments on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions.

Management evaluated the development and selection of its critical accounting policies and estimates and believes that the following involve a higher degree of judgment or complexity and are most significant to reporting our results of operations and financial position, and are therefore discussed as critical. The following critical accounting policies reflect the significant estimates and judgments used in the preparation of our consolidated financial statements. With respect to critical accounting policies, even a relatively minor variance between actual and expected experience can potentially have a materially favorable or unfavorable impact on subsequent results of operations. More information on our significant accounting policies can be found in Note 2 to our audited consolidated financial statements included elsewhere in this prospectus.

#### ***Revenue Recognition***

As described below, significant management judgment must be made and used in connection with the revenue recognized in any accounting period. Material differences may result in the amount and timing of revenue recognized or deferred for any period, if management made different judgments.

Revenue is recognized when (i) persuasive evidence of an arrangement exists, (ii) all obligations have been performed pursuant to the terms of the agreement, (iii) amounts are fixed or determinable and (iv) collectability of amounts is reasonably assured.

We make estimates and judgments when determining whether the collectability of receivables from customers is reasonably assured. We assess the collectability of receivables based on a number of factors, including past transaction history and the creditworthiness of customers. If it is determined that collection is not

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## Table of Contents

reasonably assured, the revenue is recognized when collectability becomes reasonably assured, assuming all other revenue recognition criteria have been met, which is generally upon receipt of cash for transactions where collectability may have been an issue. Management's estimates regarding collectability impact the actual revenues recognized each period and the timing of the recognition of revenues. Our assumptions and judgments regarding future collectability could differ from actual events and thus materially impact our financial position and results of operations.

Depending on the complexity of the underlying revenue arrangement and related terms and conditions, significant judgments, assumptions and estimates may be required to determine when substantial delivery of contract elements has occurred, whether any significant ongoing obligations exist subsequent to contract execution, whether amounts due are collectible and the appropriate period or periods in which, or during which, the completion of the earnings process occurs. Depending on the magnitude of specific revenue arrangements, if different judgments, assumptions and estimates are made regarding contracts executed in any specific period, our periodic financial results may be materially affected.

*Media Agency Revenue.* To date, we have generated revenue primarily from services performed under advertising contracts. Our contracts typically provide for us to receive a percentage of the total fees for the advertising placements of our customers. Media providers, such as radio stations, are required to provide proof of service that the advertising was actually run or aired before we can recognize any revenue. Revenue is recognized when the service is performed in accordance with the client arrangement and upon the completion of the earnings process. Prior to recognizing revenue, persuasive evidence of an arrangement must exist, the sales price must be fixed or determinable, delivery, performance and acceptance must be in accordance with the client arrangement and collection must be reasonably assured.

Our customers are often required to make a deposit or pre-pay the media advertising plan. Such amounts are reflected as customer advances on our consolidated balance sheets until all revenue recognition criteria have been met.

Under our advertising contracts, we are deemed to be an agent and, as such, we present revenues on a net basis whereby the costs charged by the media providers for advertisements are netted against the gross revenues received from our customers for media placements.

*SaaS Revenues.* SaaS revenues are comprised of revenue from SaaS offerings, with fixed and variable payment components. SaaS arrangements and time-based software subscriptions have initial terms generally ranging in duration from 3 to 24 months and are usually renewable on an annual basis. We allocate the value of the SaaS arrangement to each separate unit of accounting based on the best estimated selling price. Revenue allocated to the SaaS/subscription element is recognized ratably over the non-cancellable term of the SaaS/subscription service. We recognize revenue allocated to other units of accounting included in the arrangement upon the earlier of the completion of the service or the expiration of the customer's right to receive the service. Customers are billed in arrears via invoices for services used. Customers typically have contracts that provide for a minimum monthly usage commitment. Depending on the magnitude of specific revenue arrangements, if different judgments, assumptions and estimates are made regarding contracts executed in any specific period, our periodic financial results may be materially affected.

Our arrangements with our customers do not contain general rights of return. However, we may issue credits to customers on a case-by-case basis. These contracts do not provide customers with the right to take possession of the software supporting the applications.

### ***Stock-Based Compensation Expense***

Prior to our initial public offering, we considered objective and subjective factors to determine the best estimate of fair value of our common stock, including the following factors:

- our business, financial condition, results of operations and recent achievements and milestones;

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## Table of Contents

- our performance in relation to the performance and market value of public companies that are deemed comparable to our company;
- the likelihood of achieving a liquidity event, such as an initial public offering or sale of our company;
- the terms of the Investment Agreement with Acacia, which was completed in August 2016; and
- third-party valuations of our common stock.

To determine the fair value of our common stock underlying stock option and restricted stock awards, we determine our total equity value and allocate that value to each equity element of our capital structure.

We completed valuations of our common stock as of December 2015, April 2016, August 2016 and December 2016. The December 2015 and April 2016 valuations assumed that our company would remain a private company. Following the Acacia investment in August 2016 in which we agreed to use our best efforts to complete an initial public offering of our common stock, the August 2016 and December 2016 valuations incorporated an assumption that we would complete an initial public offering of our common stock in 2017.

Stock-based compensation payments to employees and non-employee directors are recognized as expense in the statements of operations. The compensation cost for all stock-based awards is measured at the grant date, based on the fair value of the award, and is recognized as an expense over the employee's requisite service period (generally the vesting period of the equity award).

The fair value of stock options granted is determined utilizing the Black-Scholes option-pricing model. The Black-Scholes option-pricing model incorporates the fair value of our common stock and requires various assumptions, including expected term, expected volatility, risk free interest rate and dividend yields. Determining the fair value of stock-based awards at the grant date requires significant estimates and judgments, including estimating the expected term, expected market price volatility of our common stock, risk free interest rates, dividend yields, and future employee stock option exercise behavior.

Stock-based compensation expense is recorded only for those awards expected to vest, using an estimated pre-vesting forfeiture rate. As such, we are required to estimate pre-vesting option forfeitures at the time of grant and to reflect the impact of estimated pre-vesting option forfeitures on the compensation expense recognized. Estimates of pre-vesting forfeitures must be periodically revised in subsequent periods if actual forfeitures differ from those estimates. We consider several factors in connection with our estimate of pre-vesting forfeitures, including types of awards, employee class, and historical pre-vesting forfeiture data. The estimation of stock awards that will ultimately vest requires judgment, and to the extent that actual results differ from our estimates, such amounts will be recorded as cumulative adjustments in the period the estimates are revised. If actual results differ significantly from these estimates, stock-based compensation expense and our results of operations could be materially impacted.

### ***Accounting for Income Taxes***

As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves the estimating of our actual current tax expense together with assessing temporary differences resulting from differing treatment of items. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheets. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income and to the extent we believe that recovery is not likely, we must establish a valuation allowance. In the event that we establish a valuation allowance or increase this allowance in a period, we must include a corresponding expense within the tax provision in our consolidated statements of operations.

Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and our valuation allowance. Due to uncertainties related to our ability to utilize our

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## **Table of Contents**

deferred tax assets in future periods, we have recorded a full valuation allowance against our net deferred tax assets, in the amount of \$9.9 million, as of December 31, 2016. These assets primarily consist of NOLs.

In assessing the need for a valuation allowance, management has considered both the positive and negative evidence available, including but not limited to, estimates of future taxable income and related probabilities, estimates surrounding the character of future income and the timing of realization, consideration of the period over which our deferred tax assets may be recoverable, our prior history of net losses, projected future outcomes, industry and market trends and the nature of existing deferred tax assets. In management's judgment, any positive indicators, including forecasts of potential future profitability of our businesses, are outweighed by the uncertainties surrounding our estimates and judgments of potential future taxable income, due primarily to uncertainties surrounding the timing of realization of future taxable income. In the event that actual results differ from these estimates or we adjust these estimates should we believe we would be able to realize these deferred tax assets in the future, an adjustment to the valuation allowance would increase income in the period such determination was made.

Any changes in the judgments, assumptions and estimates associated with our analysis of the need for a valuation allowance in any future periods could materially impact our financial position and results of operations in the periods in which those determinations are made.

### **Recently Issued Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board, or FASB, issued Accounting Standards Update (ASU) No. 2014-09, "Revenue from Contracts with Customers (Topic 606)" (ASU 2014-09), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the recognition of revenue at an amount that the entity expects to be entitled to receive when products are transferred to customers. ASU 2014-09 will be effective for us in the year ending December 31, 2019, and for interim periods beginning in the first quarter of 2020. Early adoption is permitted. Subsequently, the FASB has issued the following standards related to ASU 2014-09: ASU No. 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations" (ASU 2016-08); ASU No. 2016-10, "Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing" (ASU 2016-10); and ASU No. 2016-12, "Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients" (ASU 2016-12). We must adopt ASU 2016-08, ASU 2016-10 and ASU 2016-12 with ASU 2014-09, collectively, the new revenue standards. The new revenue standards may be applied retrospectively to each prior period presented or prospectively with the cumulative effect recognized as of the date of adoption. We are currently evaluating the timing of our adoption and the impact of adopting the new revenue standards on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest—Imputation of Interest," which requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts, and not be classified as a deferred charge or deferred credit. The recognition and measurement guidance for debt issuance costs are not affected by the amendments of this update. This ASU has been adopted and the provisions of this update are reflected in the consolidated financial statements as of December 31, 2016.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." The amendments under this pronouncement will change the way all leases with durations of one year or more are treated. Under this guidance, lessees will be required to capitalize virtually all leases on the balance sheet as a right-of-use asset and an associated financing lease liability or capital lease liability. The right-of-use asset represents the lessee's right to use, or control the use of, a specified asset for the specified lease term. The lease liability represents the lessee's obligation to make lease payments arising from the lease, measured on a discounted basis. Based on certain characteristics, leases are classified as financing leases or operating leases. Financing lease liabilities, those that contain provisions similar to capitalized leases, are amortized in the same manner as capital leases are

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## Table of Contents

amortized under current accounting rules, as amortization expense and interest expense in the statement of operations. Operating lease liabilities are amortized on a straight-line basis over the life of the lease as lease expense in the statement of operations. This update is effective for annual reporting periods beginning after December 31, 2019 and interim periods within fiscal years beginning after December 15, 2020. We are currently evaluating the impact this standard will have on our policies and procedures pertaining to our existing and future lease arrangements, disclosure requirements and on our consolidated financial statements.

In March 2016, the FASB issued ASUNo. 2016-09, “Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting” (ASU 2016-09). The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and treatment of forfeitures. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018, and early adoption is permitted. We are currently evaluating the potential impact that this new standard will have on our consolidated financial statements.

In August 2016, the FASB issued ASU2016-15, “Statement of Cash Flows (Topic 230),” a consensus of the FASB’s Emerging Issues Task Force,” which provides guidance intended to reduce diversity in practice in how certain transactions are classified in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. This adoption is not expected to have a significant impact on our consolidated financial statements.

In May 2017, the FASB issued ASU No.2017-09, “Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting,” which amends the scope of modification accounting for share-based payment arrangements. Under the standard, an entity should not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The current disclosure requirements in Topic 718 still applies regardless of whether an entity is required to apply modification accounting under the amendments in this update. The standard is effective for our company beginning the first quarter of 2018, with early adoption permitted. We do not expect that the adoption of ASU 2017-09 will have a material impact on its consolidated financial statements.

[Table of Contents](#)

**Results of Operations**

The following tables set forth our results of operations for the periods presented as a percentage of our net revenues for those periods. The period-to-period comparisons of our historical results are not necessarily indicative of the results that may be expected in the future.

	Year Ended December 31,		Nine Months Ended September 30,	
	2016	2015	2017	2016
<b>Consolidated Statements of Operations Data:</b>				
Net revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenue	17.7	13.4	7.5	16.7
Gross profit	82.3	86.6	92.5	83.3
<b>Operating expenses:</b>				
Sales and marketing	92.9	41.2	88.8	88.8
Research and development	88.6	33.3	88.1	83.6
General and administrative	167.6	57.4	226.5	167.3
Total operating expenses	349.1	131.8	403.4	339.7
Loss from operations	(266.8)	(45.2)	(310.9)	(256.4)
Other income (expense), net	(35.8)	0.6	(117.9)	(23.1)
Loss before provision for income taxes	(302.7)	(44.6)	(428.9)	(279.5)
Provision for income taxes	0.1	0.0	—	0.1
Net loss	(302.8)	(44.6)	(428.9)	(279.6)
Accretion of redeemable convertible preferred stock	(36.0)	(23.9)	(41.0)	(37.2)
Net loss attributable to common stockholders	(338.7)	(68.5)	(469.9)	(316.8)

**Nine Months Ended September 30, 2017 Compared With the Nine Months Ended September 30, 2016**

*Net Revenues*

	Nine Months Ended September 30,		\$ Change	% Change
	2017	2016		
	(dollars in thousands)			
Media Agency revenues, net	\$ 9,926	\$ 6,197	\$ 3,729	60.2%
AI Platform revenues	988	211	777	368.2%
Net revenues	\$ 10,914	\$ 6,408	\$ 4,506	70.3%

The year-over-year increase in net revenues was due primarily to an increase in our Media Agency revenues of \$3.7 million, or approximately 60%, compared with the prior year period, attributable primarily to increased volume with three existing customers and the addition of a significant new customer. In the first nine months of 2017, we added 33 net new Media Agency customers under master service agreements, compared with 22 net new customers in the prior year period, and the increase in net revenues was driven primarily by revenues earned from these new customers. Contributing to the year-over-year increase in net revenues was an increase in AI Platform revenues of \$0.8 million, or approximately 368%, compared with the prior year period. Approximately \$0.3 million of this increase was attributable to one customer in the media market, and the remaining increase came from various customers in the media, legal and politics markets. In the first nine months of 2017, our AI Platform Business added 131 accounts. Also, in the first nine months of 2017, we processed 1,516,000 hours of video or audio content, compared with 699,000 hours in the first nine months of 2016, an increase of 117%.



## Table of Contents

### Gross Profit and Margin

Gross profit in the nine months ended September 30, 2017 increased 89% compared with the prior year period, as a result of the increased Media Agency and AI Platform net revenues. Gross margin increased year-over-year, due primarily to the operating leverage provided by our higher net revenue level.

### Operating Expenses

	Nine Months Ended September 30,		\$ Change	% Change
	2017	2016		
	(dollars in thousands)			
Sales and marketing	\$ 9,689	\$ 5,688	\$ 4,001	70.3%
Research and development	9,613	5,357	4,256	79.4%
General and administrative	24,722	10,723	13,999	130.6%
Total operating expenses	<u>\$44,024</u>	<u>\$21,768</u>	<u>\$22,256</u>	102.2%
Percentage of net revenues:				
Sales and marketing	88.8%	88.8%		
Research and development	88.1%	83.6%		
General and administrative	226.5%	167.3%		
Total operating expenses	403.4%	339.7%		

**Sales and marketing.** The increase in sales and marketing expense in the first nine months of 2017 compared with the prior year period was due primarily to increased personnel and consulting costs resulting from the expansion of sales and marketing efforts in the media and legal markets. In addition, our sales and marketing expense in our Media Agency business increased year-over-year, due primarily to increases in variable compensation resulting from the year-over-year increase in net revenues, and to the addition of employees to support the increased business volume.

**Research and development.** The increase in research and development expense in the first nine months of 2017 compared with the prior year period was attributable primarily to an increase in our personnel costs of \$3.3 million, resulting from a 128% net increase in average month-end headcount in the current year period, as we enhance our existing products and develop new products and other technical functionality.

**General and administrative.** The increase in general and administrative expense in the first nine months of 2017 compared with the prior year period was due primarily to an increase in our stock based compensation expense of \$11.6 million, and to additional personnel costs associated with a 68% net increase in our average month-end headcount to support the expected growth of our business. The year-over-year increase in stock-based compensation was due primarily to \$9.3 million of expense recorded in the first nine months of 2017 relating to performance-based stock options awarded to our Chief Executive Officer and our President in May 2017. The performance condition applicable to such stock options was achieved in September 2017.

### Other Income (Expenses), Net

Other income (expense), net for the first nine months of 2017 and 2016 was comprised primarily of the following:

The first nine months of 2017:

- The net book value of debt discounts and issuance costs were written off when the related debt was converted into common stock in connection with our initial public offering, resulting in an expense of \$7.3 million;
- Upon the automatic exercise in full of the Primary Warrant in connection with our initial public offering, we issued to Acacia the 10% Warrant. Fifty percent of the shares under the 10% Warrant

## [Table of Contents](#)

vested upon its issuance and the remaining half will vest in May 2018. We recorded an expense of \$5.8 million relating to this warrant upon its issuance, representing its fair value;

- Additional common stock and warrants were issued to the Lenders in March 2017 under the terms of the Bridge Loan agreements, and we recorded an expense of \$2.9 million relating to such shares and warrants, representing their fair value;
- Upon the exercise of the Primary Warrant in connection with our initial public offering, the carrying value of this warrant, which was reflected as a liability, was reversed, resulting in a gain of \$7.1 million; and
- Debt discount amortization, interest expense and debt issuance cost amortization from the beginning of the year through the date that the related debt instruments were converted to common stock resulted in expense of \$4.2 million.

The first nine months of 2016:

- Debt discount amortization, interest expense and debt issuance cost amortization resulted in expense of \$1.4 million;
- Gain of \$0.1 million resulting from the change in the fair value of warrant liability in connection with the Primary Warrant; and
- Write-off of deferred legal fees of \$0.2 million in connection with the Primary Warrant.

### **Year Ended December 31, 2016 Compared With Year Ended December 31, 2015**

#### **Net Revenues**

	Year Ended December 31,		\$ Change	% Change
	2016	2015		
	(dollars in thousands)			
Media Agency revenues, net	\$8,404	\$13,887	\$ (5,483)	(39.5)%
AI Platform revenues	507	41	466	1,136.6%
Net revenues	<u>\$8,911</u>	<u>\$13,928</u>	<u>\$ (5,017)</u>	(36.0)%

We commenced sales in our AI Platform Business and began generating revenues in April 2015. In the year ended December 31, 2016, revenue from our AI Platform Business was \$0.5 million, an increase of more than \$0.4 million compared with the prior year period, and we had 41 accounts as of December 31, 2016. We ingested and processed 1.1 million hours of video and audio files in 2016. Revenue from our AI Platform Business represented 5.7% and 0.3% of our total revenues in the years ended December 31, 2016 and 2015, respectively.

Prior to 2016, substantially all of our revenues were derived from advertising media sales by our Media Agency Business. In the year ended December 31, 2016, Media Agency revenues were \$8.4 million, a decrease of \$5.5 million compared with the prior year period. The decrease in Media Agency revenues was attributable primarily to the loss of our two largest customers, LifeLock, Inc., which took their national endorsed radio planning in-house in August 2015, and DraftKings, Inc., which experienced a reduction of media purchases due to legal restrictions imposed on it from conducting business in certain jurisdictions for a period of time. Due primarily to these two developments, our media dollars placed per agency customer decreased 44% year-over-year, from \$2.1 million per agency customer in 2015 to \$1.1 million in 2016. The decrease in revenue was offset in part by the addition of new customers in 2016. During 2016, we added 37 net new Media Agency customers and ended the year with 65 active Media Agency customers, compared with 28 new Media Agency customers added in 2015.

## Table of Contents

In the past, our Media Agency Business has experienced volatility in its net revenues due to a number of factors, including (i) the timing of new large account wins, (ii) loss of customers who choose to replace our services by bringing their advertising placement in-house, (iii) customers who experience reductions in their advertising budgets due to issues with their own business, (iv) losses of customers who change providers from time to time based largely on pricing, and (v) the seasonality of the campaigns for certain large customers. We expect our net revenues from this business to continue to experience some degree of volatility for the foreseeable future.

We plan to continue to enhance our relationships with our existing Media Agency customers to expand our penetration of those accounts, and expand our Media Agency revenues. At the same time, we plan to continue to invest to grow our SaaS platform and capabilities. We plan to drive greater awareness and adoption of our aiWARE platform by enterprises across our existing target markets (media, legal and government), as well as in future vertical markets such as the commercial security and retail markets. In our AI Platform Business, our goal is to establish aiWARE as the standard media analytics platform for media customers in radio broadcasting, television, podcasting and YouTube. We also plan to continue to expand the adoption of our platform by leveraging both direct sales efforts and the expansion of channel partnerships, such as our strategic relationships with Quantum and Westwood One.

### Cost of Revenue and Gross Margin

	Year Ended December 31,		\$ Change	% Change
	2016	2015		
	(dollars in thousands)			
Cost of revenue	\$ 1,577	\$ 1,860	\$ (283)	(15.2)%
Gross margin	82.3%	86.6%		(4.3)%

In the year ended December 31, 2016, cost of revenue decreased by \$0.3 million, or 15.2%, compared with the prior year period. The decrease in cost of revenue was attributable primarily to a decrease in transcription costs of approximately \$0.4 million due to a decrease in per hour transcription fees. The decrease was offset in part by an increase in various engine processing costs of approximately \$0.1 million and an increase of approximately \$0.1 million in the costs for data storage, resulting from an increase in storage capacity.

Cost of revenue relating to our AI Platform Business consists primarily of fees paid to our vendors to process, transcribe and store media and cloud infrastructure fees. Our arrangements with vendors typically require us to pay fees that are based on the volume of media that they process for us, and/or on computing time, storage and reserved computing capacity. Cost of revenue also includes hourly fees charged by our third-party providers of cognitive engines, which are generally based upon the volume of media processed, as measured in duration of media that their engines process via our platform. Cost of revenue relating to our Media Agency Business consists of certain production costs relating to advertising content, and such costs were not material in any of the periods presented. As such, most of our total cost of revenues relates to our AI Platform Business. Gross margin percentages decreased during the year ended December 31, 2016 compared with the year ended December 31, 2015, due primarily to the significant decrease in revenue in our Media Agency Business, which was significantly greater than the decrease in our total cost of revenues during the same period.

## Table of Contents

### Operating Expenses

	Year Ended December 31,		\$ Change	% Change
	2016	2015		
	(dollars in thousands)			
Sales and marketing	\$ 8,279	\$ 5,735	\$ 2,544	44.4%
Research and development	7,900	4,633	3,267	70.5
General and administrative	14,935	7,990	6,945	86.9
Total operating expenses	<u>\$31,114</u>	<u>\$18,358</u>	<u>\$12,756</u>	69.5
<b>Percentage of revenue:</b>				
Sales and marketing	92.9%	41.2%		
Research and development	88.6	33.3		
General and administrative	167.6	57.4		

**Sales and Marketing.** The increase in sales and marketing expense in the year ended December 31, 2016 compared with the prior year was attributable primarily to an increase in independent consultant costs as we continued to expand our marketing efforts in both businesses, increase our sales efforts in our Media Agency Business and build our AI Platform sales organization across several vertical markets.

**Research and Development.** The increase in research and development expenses in the year ended December 31, 2016 compared with the prior year was attributable primarily to higher personnel costs resulting from a 78% net increase in average headcount in 2016 compared with in 2015, and increases in third-party software development and engineering costs as we continued to focus on enhancing our existing products and developing and introducing new products and other technical functionality.

**General and Administrative.** The increase in general and administrative expenses in the year ended December 31, 2016 compared with the prior year was attributable primarily to an increase of approximately \$2.4 million in personnel and consultant costs resulting from increases in headcount, a \$1.6 million increase in stock-based compensation expense for share issuances to existing stockholders, and a \$1.7 million increase in professional service fees including legal fees associated with litigation with a former employee that was settled in 2016, general legal services, and accounting fees associated with the audits of our 2014 and 2015 audited financial statements.

### Seasonality

We have historically experienced occasional seasonality in our Media Agency Business, which is due primarily to the seasonal nature of some of our customers' advertising activities. For example, in the third quarter of 2015, our net revenues from our Media Agency Business increased significantly, tied to one of our larger customer's three-month advertising campaign related to the start of the professional football season. As such, our revenue levels in our Media Agency Business are impacted significantly by the timing of particular advertising campaigns of our major customers, which can and do vary from period to period.

### Quarterly Results of Operations

The following tables set forth our unaudited historical quarterly statements of operations data for each of the eleven quarters ended September 30, 2017, as well as the percentage that each line item represents of our net revenues for each quarter presented. The information for each quarter has been prepared on a basis consistent with our audited consolidated financial statements included in this prospectus, and reflect, in the opinion of management, all adjustments of a normal, recurring nature that are necessary for a fair presentation of the financial information contained in those statements. Our historical results are not necessarily indicative of the results that may be expected in the future. The following quarterly financial data should be read in conjunction

## Table of Contents

with our audited consolidated financial statements included in this prospectus. The sum of the quarterly amounts in the tables below may not agree to the annual amounts presented elsewhere in this prospectus due to rounding.

	Quarter Ended										
	Mar 31, 2015	June 30, 2015	Sept 30, 2015	Dec 31, 2015	March 31, 2016	June 30, 2016	Sept 30, 2016	Dec 31, 2016	March 31, 2017	June 30, 2017	Sept 30, 2017
(unaudited, in thousands)											
<b>Consolidated Statements of Operations:</b>											
Net revenues	\$ 2,684	\$ 3,235	\$ 5,387	\$ 2,621	\$ 2,076	\$ 2,011	\$ 2,321	\$ 2,503	\$ 3,108	\$ 4,087	\$ 3,719
Cost of revenue	463	544	436	417	320	299	448	510	196	336	292
Gross profit	2,221	2,691	4,951	2,204	1,756	1,712	1,873	1,993	2,912	3,751	3,427
Operating expenses:											
Sales and marketing (1)	1,357	1,543	1,845	991	1,646	1,840	2,202	2,591	2,599	3,414	3,676
Research and development (1)	849	1,054	927	1,803	1,530	1,646	2,181	2,543	3,264	2,883	3,466
General and administrative (1)	1,167	1,523	2,208	3,091	2,510	4,754	3,459	4,212	3,680	5,302	15,740
Total operating expenses	3,373	4,120	4,980	5,885	5,686	8,240	7,842	9,346	9,543	11,599	22,882
Loss from operations	(1,152)	(1,429)	(29)	(3,681)	(3,930)	(6,528)	(5,969)	(7,353)	(6,631)	(7,848)	(19,455)
Other income (expense), net	4	3	4	74	(31)	4	(1,456)	(1,710)	786	(13,746)	88
Loss before provision for income taxes	(1,148)	(1,426)	(25)	(3,607)	(3,961)	(6,524)	(7,425)	(9,063)	(5,845)	(21,594)	(19,367)
Provision for income taxes	1	1	1	1	2	1	2	1	2	1	2
Net income (loss)	(1,149)	(1,427)	(26)	(3,608)	(3,963)	(6,525)	(7,427)	(9,064)	(5,843)	(21,595)	(19,369)
Accretion of redeemable convertible preferred stock	(801)	(802)	(802)	(924)	(794)	(794)	(795)	(821)	(1,073)	(3,397)	—
Net income (loss) attributable to common stockholders	<u>\$(1,950)</u>	<u>\$(2,229)</u>	<u>\$( 828)</u>	<u>\$(4,532)</u>	<u>\$( 4,757)</u>	<u>\$(7,319)</u>	<u>\$(8,222)</u>	<u>\$(9,885)</u>	<u>\$( 6,920)</u>	<u>\$(24,992)</u>	<u>\$(19,369)</u>

(1) Includes stock-based compensation expense as follows:

	Quarter Ended										
	Mar 31, 2015	June 30, 2015	Sept 30, 2015	Dec 31, 2015	March 31, 2016	June 30, 2016	Sept 30, 2016	Dec 31, 2016	March 31, 2017	June 30, 2017	Sept 30, 2017
(unaudited, in thousands)											
Sales and marketing	\$ 20	\$ 20	\$ 20	\$ 20	\$ 24	\$ 24	\$ 3	\$ 20	\$ 155	\$ 116	\$ 100
Research and development	5	5	5	5	6	6	5	14	104	92	157
General and administrative	6	7	7	7	7	1,451	62	108	1,644	1,570	11,451
Total	<u>\$ 31</u>	<u>\$ 32</u>	<u>\$ 32</u>	<u>\$ 32</u>	<u>\$ 37</u>	<u>\$ 1,481</u>	<u>\$ 70</u>	<u>\$ 142</u>	<u>\$ 1,903</u>	<u>\$ 1,778</u>	<u>\$ 11,708</u>

## Table of Contents

	Quarter Ended										
	Mar 31, 2015	June 30, 2015	Sept 30, 2015	Dec 31, 2015	March 31, 2016	June 30, 2016	Sept 30, 2016	Dec 31, 2016	March 31, 2017	June 30, 2017	Sept 30, 2017
(unaudited)											
<b>Consolidated Statements of Operations, as a percentage of net revenues (1)</b>											
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenue	17.3	16.8	8.1	15.9	15.4	14.9	19.3	20.4	6.3	8.2	7.9
Gross margin	82.7	83.2	91.9	84.1	84.6	85.1	80.7	79.6	93.7	91.8	92.1
Operating expenses:											
Sales and marketing	50.6	47.7	34.2	37.8	79.3	91.5	94.9	103.5	83.6	83.5	98.8
Research and development	31.6	32.6	17.2	68.8	73.7	81.8	94.0	101.6	105.0	70.5	93.2
General and administrative	43.5	47.1	41.0	117.9	120.9	236.4	149.0	168.3	118.4	129.7	423.2
Total operating expenses	125.7	127.4	92.4	224.6	273.9	409.7	337.9	373.4	307.0	283.8	615.3
Loss from operations	(42.9)	(44.2)	(0.5)	(140.4)	(189.3)	(324.6)	(257.2)	(293.8)	(213.4)	(192.0)	(523.1)
Other income (expense), net	0.1	0.1	0.1	2.8	(1.5)	0.2	(62.7)	(68.3)	25.3	(336.3)	2.4
Income (loss) before provision for income taxes	(42.8)	(44.1)	(0.5)	(137.6)	(190.8)	(324.4)	(319.9)	(362.1)	(188.1)	(528.4)	(520.8)
Provision for income taxes	—	—	—	—	0.1	—	0.1	—	0.1	—	0.1
Net income (loss)	(42.8)	(44.1)	(0.5)	(137.7)	(190.9)	(324.5)	(320.0)	(362.1)	(188.0)	(528.4)	(520.8)
Accretion of redeemable convertible preferred stock	(29.8)	(24.8)	(14.9)	(35.3)	(38.2)	(39.5)	(34.3)	(32.8)	(34.5)	(83.1)	—
Net income (loss) attributable to common stockholders	(72.7)%	(68.9)%	(15.4)%	(173.0)%	(229.1)%	(363.9)%	(354.2)%	(394.9)%	(222.7)%	(611.5)%	(520.8)%

(1) Columns may not add up to 100% due to rounding.

### Quarterly Trends

Our net revenues in the quarter ended September 30, 2015 increased significantly on a sequential basis, due in large part to the net revenues we generated for one customer's three-month advertising campaign related to the start of the professional football season. In August 2015, our Media Agency revenues trend began to decline, due primarily to the loss of our largest customer, LifeLock, Inc., which took their national endorsed radio planning in-house. We expect that our net revenues from our Media Agency Business will continue to fluctuate in future periods based on the timing of our customer's advertising campaigns and the timing of new customer wins. The trend for the AI Platform Business, while a small percentage of our overall revenues to date, has increased in each quarter in 2016 and 2017, due primarily to the adoption of our platform by customers and our sales and marketing efforts to acquire new customers. We expect that our net revenues from our AI Platform Business may fluctuate from quarter to quarter, but we believe they will continue to increase over the longer term.

Our operating expenses have increased primarily to support our continued investment in our AI platform increased sales and marketing expenses related to promoting our products and acquiring customers in the first part of 2017 compared with the third and fourth quarter levels of 2016. General and administrative expenses for the quarters include charges for legal and accounting fees associated with our financing activities, stock-based compensation expense, legal fees relating to litigation with a former employee and the continued development of our intellectual property. In general, we expect that our general and administrative expenses will fluctuate in future periods based on the timing of such events.

### Liquidity and Capital Resources

Our principal source of liquidity is cash and cash equivalents and marketable securities totaling \$60.4 million as of September 30, 2017, which primarily includes the remaining net proceeds from our initial public offering completed in May 2017, the exercise of the Primary Warrant and the Bridge Loan. We received net proceeds of \$65.8 million from such events, after deducting underwriting discounts and offering expenses

## Table of Contents

paid or payable by us. We have generated significant losses since inception and expect to continue to generate losses for the foreseeable future. In addition, since our inception, our sources of liquidity have been primarily from the net proceeds we received from private sales of equity securities, borrowings on our credit facilities and payments received from customers using our products and services.

**Investment Agreement.** On August 15, 2016, we entered into an Investment Agreement with Acacia that provided for Acacia to invest up to \$50 million in our company, consisting of both debt and equity components. Pursuant to the Investment Agreement, we entered into the Acacia Note, which provided for up to \$20 million in borrowings through two \$10 million advances, each bearing interest at the rate of 6.0% per annum. On August 15, 2016, we borrowed the First Loan, and, on November 25, 2016, we borrowed the Second Loan, each of which initially had a one year term. Upon the borrowing of the Second Loan, the maturity date of the First Loan was automatically extended to the maturity date of the Second Loan, with both loans becoming due and payable on November 25, 2017. The Acacia Note was secured by essentially all of our assets pursuant to a Security Agreement that we entered into with Acacia dated August 15, 2016 and amended in March 2017. Upon the completion of our initial public offering (i) all outstanding principal and accrued interest under the Acacia Note were converted into 1,523,746 shares of common stock, and (ii) the Acacia Primary Warrant was automatically exercised in full to purchase 2,150,335 shares of common stock for a total exercise price of \$29.3 million. Pursuant to the Investment Agreement, we have also issued to Acacia additional warrants to purchase an aggregate of 963,711 shares of common stock at an exercise price of \$13.6088 per share.

**Secured Convertible Bridge Note Financing** In March 2017, we entered into the Note Purchase Agreement with the Lenders, which provided for an \$8.0 million line of credit pursuant to the Bridge Notes, which accrued interest at the rate of eight percent (8%) per annum, compounded quarterly. The Bridge Notes were due and payable on November 25, 2017, and our obligations under such notes were secured by a security interest in substantially all of our assets, which was of equal priority to the security interests of Acacia under the Acacia Note. We borrowed the first \$2.0 million installment under the line of credit in March 2017, and we borrowed the second \$2.0 million installment in April 2017. Prior to the completion of our initial public offering, the Lenders exercised their option to advance the \$4.0 million remaining available under the Bridge Notes. Upon the completion of our initial public offering, all of the \$8.0 million principal amount of the Bridge Notes, and all accrued interest thereon, were automatically converted into an aggregate of 590,717 shares of our common stock at a conversion price of \$13.6088 per share. In connection with our initial public offering, we issued to the Lenders, in the aggregate, 300,000 shares of our common stock and fully vested warrants to purchase up to 313,440 shares of our common stock. Such warrants have a term of ten years following the date of issuance and have an exercise price of \$13.6088 per share.

### Cash Flow Analysis

A summary of our operating, investing and financing activities is shown in the following table (in thousands):

	Year Ended December 31,		Nine Months Ended September 30,	
	2016	2015	2017	2016
	(in thousands)			
Cash (used in) provided by operating activities	\$ (26,755)	\$ 2,403	\$ (20,370)	\$ (21,455)
Cash used in investing activities	(137)	(494)	(40,670)	(20)
Cash provided by (used in) financing activities	19,773	(1,459)	69,724	9,904
Net (decrease) increase in cash and cash equivalents	<u>\$ (7,119)</u>	<u>\$ 450</u>	<u>\$ 8,684</u>	<u>\$ (11,571)</u>

### Net Cash (Used in) Provided by Operating Activities

Our operating activities used cash of \$20.4 million in the first nine months of 2017, compared with \$21.5 million in the first nine months of 2016. Our year-to-date net loss increased to \$46.8 million in 2017, compared with a net loss of \$17.9 million in the same period in 2016. The first nine months of 2017 included net

## Table of Contents

non-cash charges of \$12.5 million related primarily to amortization of debt discounts and issuance costs, costs of stock warrants issued at the time of our initial public offering and write-off of debt discounts and issuance costs, offset in part by the change in fair value of warrant liability, none of which were incurred in the 2016 period. In addition, stock-based compensation expense in the first nine months of 2017 was \$13.6 million, compared with \$1.6 million in the 2016 period. In the first nine months of 2016, we paid a higher amount of media payments than in the 2017 period. As a net result of these factors, our cash used in operating activities was similar in the two periods.

In the year ended December 31, 2016, our operating activities used cash of \$26.8 million, due primarily to our net loss of \$27.0 million and to a reduction in accounts payable resulting from payments made to media outlets during 2016 for advertisements aired in 2015 for which we had received prepayments from our customers in 2015, offset in part by our net non-cash amortization of debt issuance costs and discount and stock-based compensation in 2016. A key driver of our operating cash flow has been the timing of prepayments received from our media customers for advertisements, and the payments by us to media outlets of the related charges for those advertisements. Our Media Agency Business typically collects cash from our advertising customers and then pays the media outlet for the advertisement that we arranged on behalf of our customer. Many customers pay us for their advertisements before the advertisement is aired. Local media outlets require payment before an advertisement is aired, so the time period that we hold the cash for those advertisements is relatively short. National media outlets expect payment up to four months after the advertisement is aired, so we may accumulate cash in one period that will be paid to media outlets in a future period. The combination of changes in 'accounts receivable', 'expenditures billable to clients', 'customer advances' and 'accrued liabilities' was an increase of \$4.5 million for the year ended December 31, 2016 compared with the prior year. These four accounts record our gross billing and collection transactions with our advertising customers. The combination of these four accounts is not usually significant to our cash flow from operations because, as an agent, we do not typically pay for advertisements before we receive cash from our customers. The net loss in the year ended December 31, 2016 included a non-cash expense of \$1.4 million for common stock awarded to our founders.

In the year ended December 31, 2015, our cash flows from operating activities provided cash of \$2.4 million despite our net loss in that year of \$6.2 million, due primarily to the collection of customer advertisement payments in 2015 which were not paid to the national media outlets until 2016. For the year ended December 31, 2015, cash provided by operating activities consisted primarily of our net loss of \$6.2 million adjusted for non-cash items, including \$0.1 million of stock-based compensation expense and \$7.9 million of cumulative changes in operating assets and liabilities. With respect to changes in operating assets and liabilities, accounts payable and other accrued expenses increased approximately \$9.0 million, which was due primarily to longer payment cycles to vendors. Accounts receivable and prepaid expenses decreased approximately \$0.6 million, which resulted primarily from the decrease in revenues and the timing of cash receipts from certain of our larger customers, as well as lower pre-payments for future advertising and certain prepaid operating expenses.

### Net Cash Used in Investing Activities

Net cash used in investing activities in the years ended December 31, 2016 and 2015 was as follows:

	Year Ended December 31,		Nine Months Ended	
	2016	2015	2017	2016
	(in thousands)			
Cash used in investing activities:				
Purchases of marketable securities	\$ —	\$ —	\$ (39,850)	\$ —
Capital expenditures	(37)	(22)	(16)	(20)
Software development expenditures	—	(472)	(30)	—
Other	(100)	—	(774)	—
Net cash used in investing activities	<u>\$ (137)</u>	<u>\$ (494)</u>	<u>\$ (40,670)</u>	<u>\$ (20)</u>



## Table of Contents

In the first nine months of 2017, cash used in investing activities was \$40.7 million, due primarily to our \$39.9 million purchases of marketable securities as we invested a significant portion of net proceeds received from the IPO and the exercise of the Primary Warrant by Acacia.

In the year ended December 31, 2015, cash used in investing activities was \$0.5 million, which consisted primarily of expenditures for the development of our A1 platform.

### Net Cash Provided by (Used in) Financing Activities

Net cash provided by (used in) financing activities in the years ended December 31, 2016 and 2015 was as follows:

	Year Ended December 31,		Nine Months Ended September 30,	
	2016	2015	2017	2016
	(in thousands)			
Cash provided by (used in) financing activities:				
Proceeds from public offering	\$ —	\$ —	\$ 32,580	\$ —
Proceeds received under the Bridge Loan	—	—	8,000	—
Proceeds from exercise of Primary Warrant	—	—	29,263	—
Proceeds from issuance of Acacia Note	20,000	—	—	10,000
Debt issuance costs	(168)	—	(68)	(168)
Deferred IPO costs	(136)	—	—	—
Payment for repurchases of Series A-1 preferred stock and common stock	—	(1,459)	—	—
Proceeds from exercise of stock options	77	—	5	72
Repurchase of common stock	—	—	(56)	—
Net cash provided by (used in) financing activities	<u>\$ 19,773</u>	<u>\$ (1,459)</u>	<u>\$ 69,724</u>	<u>\$ 9,904</u>

In the first nine months of 2017, cash provided by financing activities was \$69.7 million, due primarily to the \$32.6 million in net proceeds received from our IPO, the \$29.3 million in proceeds received from the exercise of the Primary Warrant under the Bridge Loan. In the first nine months of 2016, cash provided by financing activities was \$9.9 million due primarily to the \$10 million proceeds from the issuance of the Acacia note payable.

In 2016, cash provided by financing activities was approximately \$19.8 million and was comprised primarily of proceeds from the issuance of the Acacia Note to Acacia for \$20 million. In 2015, cash used in financing activities was \$1.5 million, which was comprised of the repurchase of our common stock and preferred stock described under “—Stock Repurchases” above.

### Off-Balance Sheet Arrangements

We have not entered into any off-balance sheet arrangements and do not have any holdings in variable interest entities.

### Quantitative and Qualitative Disclosure of Market Risk

We are exposed to certain market risks in the ordinary course of our business. These risks relate primarily to fluctuations in foreign currency exchange rates, changes in interest rates and inflation.

#### Foreign Currency Risk

To date, substantially all of our revenues and expenses have been denominated in U.S. dollars. Therefore, we have not been exposed to foreign exchange rate fluctuations. We have recently opened a sales and support office in the United Kingdom to expand our business in European markets. As such, we will incur expenses

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## Table of Contents

denominated in British Pounds, and we may have foreign currency denominated revenues in the future, which will increase our exposure to fluctuations in currency exchange rates.

### ***Interest Rate Risk***

We had cash and cash equivalents and marketable securities of \$60.4 million as of September 30, 2017, which consisted of bank deposits, money market funds, commercial paper and government and corporate notes and bonds. The cash and cash equivalents and marketable securities are held for working capital purposes. Such interest-earning instruments carry a degree of interest rate risk. The Company's cash equivalents and marketable securities are carried at fair value. The primary objective of our investment activities is to preserve principal while maximizing income without significantly increasing risk. We do not enter into investments for trading or speculative purposes and have not used any derivative financial instruments to manage our interest rate risk exposure. Due to the short-term nature of our investments, we have not been exposed to, nor do we anticipate being exposed to, material risks due to changes in interest rates. A hypothetical 10% change in interest rates during any of the periods presented would not have had a material impact on our consolidated financial statements.

### ***Impact of Inflation***

We do not believe that inflation has had a material effect on our business for the years ended December 31, 2016 and 2015, respectively.

### **Jumpstart Our Business Startups Act of 2012 (JOBS Act)**

In April 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. Thus, an emerging growth company can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of such extended transition period. Section 107 of the JOBS Act provides that we can elect to opt out of the extended transition period at any time, which election is irrevocable. We are in the process of evaluating the benefits of relying on other exemptions and reduced reporting requirements under the JOBS Act. Subject to certain conditions, as an emerging growth company, we may rely on certain of these exemptions, including without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley Act and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an emerging growth company until the earlier of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.07 billion or more, (ii) the last day of the fiscal year following the fifth anniversary of our initial public offering, (iii) the date on which we have issued more than \$1.0 billion in nonconvertible debt over a three-year period, or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

## BUSINESS

### Overview

We have developed a proprietary artificial intelligence, or AI, platform that unlocks the power of cognitive computing to transform audio, video and other unstructured data and analyze it in conjunction with structured data in a seamless, orchestrated and automated manner to generate actionable intelligence. Our AI operating system, aiWARE, integrates and orchestrates an open ecosystem of best-of-breed cognitive engines together with our suite of powerful applications, to reveal valuable multivariate insights from vast amounts of structured and unstructured data.

Our aiWARE platform incorporates proprietary technology to manage and integrate a wide variety of AI processes to mimic human cognitive functions such as perception, reasoning, prediction and problem solving in order to quickly, efficiently and cost effectively transform unstructured data into structured data. It stores the results in a searchable, time-correlated database, creating a rich, online, searchable index of the structured and unstructured data, enabling users to analyze the information in near real-time to drive business decisions and insights.

Our mission is to bring the power of AI-based computing to enterprises of all sizes through a technical architecture that integrates multiple cognitive engine capabilities in a single platform with multiple deployment options. Our platform is based on an open architecture that enables new cognitive engines or applications to be added quickly and efficiently, resulting in a future proof, scalable and evolving solution that can be easily leveraged for a broad range of industries that capture or use audio, video and other unstructured data, including, without limitation, media, politics, legal, government and other commercial and retail vertical markets. By offering our solution via a SaaS delivery model within a real-time, intuitive framework, we believe we have modernized what historically has been a time-consuming, labor intensive and expensive process that previously could only be accessed via closed database systems that were cumbersome and difficult to scale.

In addition to our cloud-based version of aiWARE, we recently launched a hybrid on-premise/cloud version of the platform that allows users to conduct cognitive processing using certain engines (initially speech-to-text transcription, optical character recognition and object detection) on a network-isolated basis behind the user's firewall, so that only the metadata produced by those engines needs to be moved outside of the user's network. This version is ideal for users who want their original content to remain on their secure network for security or transmission cost reasons.

### Industry Background

According to Gartner, Inc., 80% of the world's data is unstructured and cannot be easily and efficiently searched, accessed or utilized. Unstructured data continues to grow at an accelerating rate and represents the vast majority of all data created, with 90% of the world's data being created in the past two years. IDC predicts that the total amount of digital data created worldwide will double every two years, from 4.4 zettabytes in 2013 to 44 zettabytes in 2020. Enterprises, including businesses and government agencies, recognize the utility of leveraging this rapid proliferation of data and are turning to AI and analytics to increase their capabilities and efficiency. However, these enterprises lack the proper tools to collect, organize, access and analyze the rapidly growing variety, velocity and volume of data in real-time.

According to IDC, the worldwide revenue from the market for cognitive systems and AI is expected to grow from approximately \$8 billion in 2016 to more than \$47 billion in 2020. We believe that our platform and related services address a subset of the overall AI market. AI systems, particularly cognitive systems based upon machine and deep learning, are increasingly being designed to adapt and make sense of the complexity and unpredictability of unstructured data, such as text, audio and video. Deep learning enables computers to discern patterns in large sets of data without being told what to look for. These machine learning algorithms can perform

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## **Table of Contents**

a wide range of functions, such as “reading” text, “seeing” images and “hearing” natural speech, and in turn interpret that information, organize it and offer explanations of what it means, along with the rationale, conclusions and applicable recommendations for such information. These systems can also improve the accuracy of their results with training and use. However, current machine learning algorithms are generally only effective when applied to a single, narrowly defined problem, which limits the amount and type of metadata that can be extracted and the nature of inquiries and analyses that can be performed, and therefore limits the usefulness of any single cognitive engine in real-world applications.

For companies looking to harness the power of their unstructured data, this presents significant challenges. Many applications require multiple cognitive processes to be performed on unstructured data, and for the results to be correlated with structured data of the user or third parties. Most current AI-based solutions focus primarily on a single or narrow set of cognitive engines, which limits the amount and type of metadata that can be extracted and the nature of inquiries and analyses that can be performed. Only a few companies have the capability to analyze and correlate the results from multiple classes of cognitive engines, and we believe that even such companies require the data to be ported to their own proprietary engines, thereby preventing them from accessing a multitude of best-of-breed third party cognitive resources. As a result, most current AI-based solutions are limited due to the difficulties in concurrently accessing large amounts of data in an efficient and cost-effective manner and their inability to perform complex multivariate searches across different vendor agnostic cognitive engines. In addition, identifying the best algorithm to perform each task can be very challenging as both the user’s needs and the relative performance of algorithms change over time, and switching algorithms within a closed system can be expensive and time consuming.

### **Our Solution**

Our innovative aiWARE platform intelligently orchestrates an ecosystem of best-of-breed cognitive engines within a single software solution to process information in volumes that can far exceed human cognitive capabilities. Our proprietary technology enables users to run comprehensive, multivariate queries, correlations and analyses in near real-time using multiple cognitive engines and data sets, creating integrated and refined outputs. Our solution can also ingest and analyze structured data in correlation with the processed data. For example, our media users can use our system to identify instances where advertiser names or logos appear in a broadcast, and then correlate those instances with Nielsen data to measure the number of impressions generated by the ad, web traffic data to estimate the traffic driven by the ad, or their own sales data, to provide actionable intelligence regarding their advertising campaigns. In addition, by using multiple cognitive engines from different providers within the same class and across different classes, our aiWARE system can generate extensive and varied training data to more efficiently learn and thereby quickly improve accuracy and analyses. A key principle of AI-based systems is that the more data that is ingested and processed, the better the accuracy and predictive value that can be achieved.

Our platform is an open architecture system that allows third-party developers to easily integrate additional cognitive engines and applications within our platform, which makes our solution readily scalable for a broad range of processes and vertical markets. We plan to add additional cognitive engines in a variety of categories to ensure that users can access a broad selection of capabilities across the classes of cognition, all of which can be accessed via a simple, easy-to-use and tightly integrated platform. Our goal is to create a broad ecosystem, offering all major cognitive engine capabilities on a single open and integrated platform.

Our innovative AI ecosystem currently incorporates over 120 cognitive engines of various classes and types from multiple third-party vendors, including Google, IBM, Microsoft, Nuance, Amazon and HPE, among others, in addition to several of our own proprietary cognitive engines. We continually seek to add new cognitive engines to ensure that users can have the best selection of capabilities from multiple vendors in a broad range of categories. These cognitive engines use advanced algorithms to capture and extract data from media files for a variety of cognitive capabilities, including transcription, face detection, face recognition, object recognition, sentiment analysis, language translation, audio/video fingerprinting, geolocation, optical character recognition,

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## [Table of Contents](#)

logo recognition, metadata extraction, and media format transcoding. Users can then access our applications to perform analytics on this data. By having a number of engines from different providers within the same class, we are able to benchmark the engines to identify the optimal engine for the user's needs and in some cases use them together to provide better overall accuracy than any single engine can achieve.

We have, and are developing, proprietary Conductor technology to analyze unstructured data files and intelligently route them to the most appropriate cognitive engine(s) within a cognitive class to improve the performance, cost and speed of the data analysis process, enabling users to achieve higher accuracy and derive more robust intelligence from their media. For example, our Conductor for voice-to-text transcription uses multiple machine learning algorithms, including deep learning neural networks, to train, test and validate datasets to predict the best transcription engine for the user's specific media. We plan to expand this capability to other cognitive classes, including object detection. In addition, we believe that, in the future, the application of our proprietary inter-class Conductor technology will enable our aiWARE platform to derive contextual meaning from one cognitive class, such as object recognition, and apply this understanding to other classes of cognition, including transcription and facial recognition.

Once media has been processed on our platform, we store the results of the cognitive engine processing in a searchable, time-correlated temporal elastic database, or TED, allowing users access to a rich, online searchable index of their media. TED provides immediate access to processed media through a dynamic multivariate toolset that enables queries of all elements within, around and derived from the media. TED's architecture leverages several commercial, open source, distributed and non-relational databases with proven scalability and performance characteristics.

Our platform encompasses the following processes:

- *Ingestion:* Unstructured data is captured in a myriad of formats. Our platform captures and ingests public and private media (structured and unstructured data sets in most digital formats and various protocols) through various adapters that are specific to each ingestion source. We have developed special purpose adapters, internally and via third party developers, to enable the seamless ingestion of large data sets into our platform from the most popular data sources and formats, such as Google Drive, DropBox, Box, YouTube, RSS, FTP and various media streaming protocols. We plan to continue to expand our current collection of adapters to enable the capture of nearly all media forms and sources of media.
- *Processing:* Once the media is captured into our platform through the ingestion process, we transform (transcode) the media into a suitable format for processing. The media is then run through one or more cognitive engines depending on the information and analysis desired by the end user, which extract and/or add useful metadata from and to the media. The cognitive engines in our ecosystem currently include the following cognitive classes: transcription, face detection, face recognition, object recognition, sentiment analysis, language translation, audio/video fingerprinting, geolocation, optical character recognition, logo recognition, metadata extraction, and media format transcoding.
- *Proprietary Indexing and Storage:* The metadata produced by our cognitive processing is indexed and stored in a temporal elastic database that correlates disparate metadata derived from various cognitive engines across our platform or from third-party data sets. The temporal aspect of the database design is essential to its power to correlate time based audio and video streams and structured data sets. We can dissect and analyze any of the media files and metadata therein, producing a multi-dimensional index for ease of search, discovery and analytics.
- *Applications and Cognitive Analytics:* Once the media has been indexed and stored, cognitive analytics can be deployed to uncover relationships, enable insights and recommend actions. We have developed a suite of SaaS-based applications to facilitate the use of our platform and enable users to discover patterns across a diverse set of media to correlate data, optimize objectives and provide near real-time insights. Our hosted applications enable users to process and manage media files within our platform,

run cognitive processes against their media files, access and find the data they need, develop libraries of reference training data, share media internally or externally and review any chosen media file or clip and its associated metadata.

## **Our Services and Target Markets**

### ***Media Agency Services***

Our founders are pioneers in digital advertising and leaders in the industry, who founded several high-profile businesses in the media industry including AdForce (acquired by CMGi), 2CAN Media (acquired by CMGi) and dMarc Broadcasting (acquired by Google). At the time we were founded in 2014, we acquired a full service audio advertising agency, which is now our wholly-owned subsidiary, Veritone One, Inc., or Veritone One. Veritone One creates and places native and traditional advertising and specializes in host-endorsed and influencer advertising, providing outstanding service, technology and performance. Our services include media planning and strategy, media buying and placement, campaign messaging, clearance verification and attribution, and custom analytics. In 2016, we placed over \$75 million in media advertising for our advertising clients, which included Uber Technologies, Inc., 1-800 flowers.com, Inc., Dollar Shave Club, Inc., DraftKings, Inc., Casper Sleep, Inc., Tommy John, Inc., and others.

We initially used our platform to help our advertisers improve their media placements and maximize the return on their advertising spending using real-time ad verification and media analytics. Using our platform, we can manage, deliver, optimize, verify and quantify native and spot-based advertising campaigns and content distribution for our clients across multiple channels, including broadcast radio, satellite audio, streaming audio, broadcast and cable television, digital video services such as YouTube, and podcasting. Although we intend to focus on our SaaS business, we plan to continue to provide advertising placement services.

### ***SaaS Solutions***

***Media SaaS.*** We commenced commercial licensing of our SaaS solutions in April 2015 with an initial focus on the Media market, to provide media owners and broadcasters with visibility on ad placements and the effectiveness of their media campaigns. We license access to our platform via a SaaS model directly to such media owners and broadcasters, which include, but are not limited to, radio and television stations, advertising agencies, advertisers, sports and entertainment properties and networks. In addition, our SaaS customers use our solutions to automatically index and organize their audio and video content so that they can search, discover and analyze their media for programming and optimization across their broadcasts, streams, websites, podcasts and social media channels. We also license access to our Veritone Public Media Index to broadcasters, media owners and other advertising agencies.

For broadcast clients and media owners, we generally take the actual audio and/or video feeds directly from the client and ingest them into our platform. Next, the media is run through various cognitive engines such as transcription and logo detection, enabling the resulting metadata to be searchable and actionable. Our clients can index their content down to the second or frame, to provide near real-time ad verification, content segmentation and integrated audience analytics. Our platform allows our clients to optimize their advertising spending across various media channels with near real-time ad verification and integrated audience analysis. Broadcasters and other media clients can also create new short-form and on-demand products to extend customer engagement, search and discovery and monetization. In addition, based on learning generated by our cognitive engines, these media clients can efficiently create new programmatic content, tailored towards specific users. eMarketer projects total U.S. Media Spending to be over \$234 billion in 2020, and The CMO Survey estimated in February 2016 that 11.1% of total 2020 marketing budgets, which would represent approximately \$26 billion of such total, will be spent on data analytics. We believe that our platform addresses a subset of the data analytics market.

***Politics.*** In the Politics vertical market, our platform enables political organizations such as campaigns, political consultants, elected officials, committees, political action committees, or PACs., Super PACs and

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## [Table of Contents](#)

special interest groups to analyze public and private media, conduct research and provide access to previously inaccessible data. The historical dominance of the big four national broadcast networks has splintered into thousands of blogs, video sites, and social channels with around-the-clock coverage of candidates and issues, significantly increasing the challenge of monitoring media coverage and voter sentiment. Our platform can transform multiple media sources (broadcast radio, TV, digital video services, podcasts and customers' own media such as stump speeches and tracker videos) using multiple cognitive engines to provide previously untapped resources of critical information that can be easily searched and acted upon in near real-time. Users can also ingest and analyze structured data, such as voter registration data and donor databases, in correlation with the processed data. Our solution, which includes the Veritone Public Media Index, gives political operatives tools to quickly identify a candidate's positions on key issues, identify flip-flopping or inconsistencies, monitor media coverage of issues and trending topics, understand local voter sentiment, and rapidly clip and share public media coverage on social media or in email campaigns to donors for rapid response. Our platform can be used throughout the life cycle of a political organization, from exploring a candidacy and fundraising, to shaping a narrative and communicating with voters. Spending on political campaigns has continued to increase in recent years. eMarketer estimates that total U.S. political advertising spending increased from \$6.4 billion in 2010 to \$10.2 billion in 2016. The Pew Research Center estimates that the biggest increase in spending was in non-party independent expenditures, which increased from \$105.6 million in 2010 to \$387.3 million in 2014. Independent groups have become increasingly prominent in recent years, and the Pew Research Center estimates that they collectively made expenditures of \$608 million in the 2012 presidential election cycle and \$339 million in the 2014 mid-election cycle.

**Legal.** Within the Legal market, we are focused initially on eDiscovery, where audio and video content analysis is playing an increasingly important role in litigation. The eDiscovery segment includes a broad range of software and managed service providers with strong existing capabilities for identifying, collecting and producing electronically stored information, or ESI, primarily from text-based documents, including email. Historically, eDiscovery processing has disregarded audio and video files due to the high cost and complexity involved in automatically identifying relevant keywords, phrases or other details contained therein. Professionals in the legal market face escalating volumes of audio and video content resulting from voice mails, cameras and other digital evidence devices. Our SaaS solution leverages AI and the scale of the cloud, combined with our broad cognitive engine ecosystem, to enable professionals to quickly search and analyze audio, video and structured data to identify particular words, phrases, sentiments and voices at a fraction of the cost of other legal eDiscovery solutions. Our platform provides an easy to use and cost-effective, solution for storing, organizing and analyzing evidentiary media to help legal professionals quickly find the critical details necessary to win their cases. According to IDC, the market for eDiscovery software and services is estimated to reach \$14.7 billion in 2019, with the software segment comprising a subset of that market. We have integrated our platform with Relativity, an industry leading eDiscovery software platform, enabling Relativity users that license the Veritone platform to leverage our capabilities to perform large-scale, automated analytics of audio and video files as part of their e-discovery and compliance efforts. We have also entered into 37 reseller agreements with major providers of eDiscovery services and solutions, as well as licensing agreements with three multinational law firms, pursuant to which they are using our platform to analyze the vast amounts of audio and video data evidence in current litigation, which was previously too expensive to access and use effectively. We also believe that our platform can be used by customers in a broad range of industries, particularly regulated industries, to increase the effectiveness and efficiency of their compliance efforts. For example, users could use our platform to monitor recorded phone calls to identify compliance issues such as off-label marketing of pharmaceuticals or improper securities or financial product sales practices, in near real time.

**Government.** We have recently deployed our platform on Microsoft Azure's secure government cloud, and are in the process of deploying it on AWS' secure government cloud, to enable law enforcement agencies and other government authorities to organize and gain insight from the large amount of audio, video and structured data they accumulate on a daily basis, including from police body cameras, police car recorders, interview room cameras, 911 audio tapes, surveillance cameras and a variety of other digital media technologies. IHS Markit estimates that there were approximately 350 million professionally-installed surveillance cameras operating

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## [Table of Contents](#)

globally at the end of 2016, and that surveillance cameras will generate 859 petabytes of data every day in 2017, more than double the total in 2013. As the volume of video data collected has grown enormously, so has the challenge of reviewing that data to assist in investigations. In most cases, due to the unstructured nature of this video data, it currently must be reviewed manually, a task that consumes huge amounts of time and causes delays in investigations. For example, the BBC reported that it took the police four months to investigate 200,000 hours of surveillance camera footage to identify suspects from the London riots that occurred in 2011. As a result, such data largely has not been used other than as back up to protect police and government agencies from potential claims. In addition to the challenges of using the huge volumes of video footage being collected, authorities are also faced with the daunting task of responding to requests for such information from the public. Many states have statutes that require public agencies to provide certain information, including in many cases audio and video files, and eight states have passed laws mandating that video content must be stored for 180 days. Reviewing video footage to identify and authenticate the appropriate footage to be disclosed is currently a time-consuming, largely manual process. As a result, law enforcement and other public safety agencies are continuing to invest in solutions in this area. Homeland Security Research Corp. estimates that the global market for Big Data and Data Analytics in Homeland Security and Public Safety will grow at a compound annual growth rate of 17.5% from 2015 to reach \$11 billion in 2022. We believe that our platform addresses a subset of this overall market. We are actively engaged in negotiations with various police departments and certain related agencies to provide access to our SaaS solutions. We believe that our platform will enable police and other government agencies to organize, store, manage and access the huge amounts of audio and video data they are collecting from multiple disparate sources much more efficiently and effectively to assist in investigations, gain insights on their operations, improve service and training and identify issues, as well as to more quickly and efficiently respond to public records requests for such data.

### **Other Vertical Markets and Applications**

The open architecture, modularity and power of our platform make it easy to scale and adapt our solutions to a variety of other vertical markets without significant cost or integration requirements. We are currently developing industry-specific solutions for a broad range of customers to enable them to leverage our platform to analyze public and private audio, video and structured data. The initial other vertical markets that we are planning to pursue include commercial security and retail.

We believe the opportunity for our platform in these markets is driven by the industry's migration from analog, on-premise security solutions to "VSaaS"—Video Surveillance-as-a-Service, which is a web-hosted, wireless security system that allows users to remotely store, manage, record, play and monitor surveillance footage—entirely in the cloud. The footage is not stored onsite, and users do not need recording software, only an IP camera system, an Internet connection and a VSaaS provider. VSaaS is a remote approach to video surveillance systems, as opposed to an on-site video security system. With VSaaS, IP cameras are installed at the desired location and then stream security footage to the provider's site. Since VSaaS is managed in the cloud, users can access footage or cameras from anywhere at any time through a desktop, laptop or mobile device. According to Radiant Insights, by 2020, the global market for video surveillance and VSaaS is expected to be worth approximately \$49 billion, with 85% of the market focused on safety and security, and 61% of the market concerned with theft and loss prevention. We believe these verticals can benefit from being able to access and utilize intelligence embedded in audio, video and structured data captured by a variety of sources from closed-circuit television cameras in public spaces, to video surveillance data collected from security cameras and in-store video cameras installed in most major retailers. All of these sources are collecting petabytes of information that can be ingested for analysis, archiving, search and discovery, using machine learning predictive and analytics software. We believe our platform can be easily modified to address these other vertical markets.

In addition, we are exploring the applications for our technology within the data storage and management markets. In April 2017, we entered into an agreement with Quantum, Inc., or Quantum, a leading provider of scaled enterprise storage solutions, to integrate our company's platform onto Quantum's storage products, to enable users to perform AI-based processing on their media files on-premises, behind their firewall, using certain engines



(initially speech-to-text transcription, optical character recognition and object detection). In August 2017, Quantum began shipping storage products to customers with our hybrid on-premise/cloud version of aiWARE installed.

### **Our Competitive Strengths**

Our market-based solutions leverage our proprietary platform to provide our customers with unique data insights into their own unstructured or publicly available media, together with structured data. On a daily basis, our platform ingests and processes thousands of hours of public media, such as radio, television, podcasts and digital video services, as well as privately sourced media and other data, and transforms the unstructured audio and video content into a near real-time searchable, digital index. Our platform was built on the core premise that any AI-based platform must be open, scalable and modular in order to deliver best-in-class solutions to our diverse customer base. Our competitive strengths include the following:

**One Open, Integrated Multi-Cognitive Platform.** Our open platform allows third-party AI engines to be easily integrated onto our platform and participate in our AI marketplace via an API integration. We currently offer over 120 cognitive engines on our platform across most major categories of cognition. Our goal is to create a broad ecosystem offering all major cognitive engine capabilities on a single open and integrated platform. This business model enables our customers to send their data to one cloud-based platform, run multiple cognitive processes, correlate the resulting disparate metadata from varying third party engines, and analyze, capture and share results without leaving their Veritone user session. As our business expands, we plan to increase the number of supported instances of our platform within public and private cloud environments and across multiple geographies. We recently launched our developer portal, which enables cognitive engine developers to access our APIs and developer toolkit to rapidly integrate their engines onto our aiWARE platform, and enables application developers to access our APIs and developer toolkit to develop new applications utilizing the metadata produced by our aiWARE platform.

**Proprietary Technology.** Our aiWARE architecture allows us to incorporate proprietary Conductor technology to manage and optimize media and data processing within and between selected engine classes by choosing and deploying the best cognitive engines to use, based upon performance, cost and speed, to generate the best results. We have released a Conductor for voice-to-text transcription and plan to develop Conductors for additional cognitive engine classes, including object and logo recognition. We maintain data on the relative performance of each transcription engine in our ecosystem, which we believe will enable us to automatically select, in near real-time, the engines to deploy based upon our automated review of the media being processed, including any metadata therein. In addition, we believe that, in the future, the application of our proprietary inter-class Conductor technology will enable our aiWARE platform to derive contextual meaning from one cognitive class, such as object recognition, and apply this understanding to other classes of cognition, including transcription and facial recognition.

**Multi-Tenant Architecture.** Our multi-tenant architecture enables all of our customers to operate on our platform while securely partitioning their application usage and data. This enables our customers to benefit from rapid computing, reduced costs, and economies of scale that are inherent in cloud-based computing environments.

**Secure.** Our platform is run and executed within “containers” that are secure and encrypted and all of the transport of data is encrypted in accordance with industry best practices. We also have a secure, government cloud deployment of our platform within Microsoft Azure’s secure government cloud, and are in the process of deploying our platform on AWS’ secure government cloud, to support government and public safely related customers. We are also currently pursuing CJIS (Criminal Justice Information Services division of the FBI) compliance and FedRAMP (Federal Risk and Management Platform) certification for our cloud-based platform. We plan to continue to follow industry best practices that govern access to our platform to ensure that private media remains behind appropriate firewalls.

**Cloud Agnostic.** Our platform is deployable on all of the commercially available cloud instances, virtually anywhere in the world. It currently resides on AWS’ cloud, and can also be deployed on secure government

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## [Table of Contents](#)

cloud instances to support the needs of government customers. We plan to deploy our platform on a variety of cloud infrastructures and within varying geographic regions and countries in the future as we expand our business internationally.

**Ability to Operate On-Premises.** We recently launched a hybrid on-premise/cloud version of aiWARE that allows users to conduct cognitive processing using certain engines (initially speech-to-text transcription, optical character recognition and object detection) on a network-isolated basis behind the user's firewall, so that only the metadata produced by those engines needs to be moved outside of the user's network. This version is ideal for users who want their content to remain on their secure network for security or transmission cost reasons.

**Modular and Industry-Specific Applications.** The modular structure of our platform enables rapid development of applications that convert customer data into actionable insights that are relevant to the specific needs of different markets. We have successfully created and demonstrated several use cases for our media, politics and legal applications, which enable customers to solve difficult problems such as programmatic ad verification and tracking of audience measurement correlations, transcribing and translating recorded telephone calls in multiple languages, and finding, selecting and editing long form-media content into short-form media shareable on social media. Our platform enables customers and developers to write applications on our platform that address specific customer use cases. One example of an application under development in a new vertical market is in-store retail intelligence. Efforts are underway to help retailers seeking to gain intelligence from in-store security cameras to invoke our platform to ingest, process and analyze video footage and correlate customer traffic and in-store location patterns with check-out and register data. Having immediate access to this enhanced intelligence should allow retailers to more fully understand customer interests to ascertain which SKUs are attracting interest and moving to the register in near-real time.

### **Our Growth Strategies**

We plan to expand our market presence and business by pursuing the following growth strategies:

**Expand Revenues and Gain Broad Market Acceptance for Our SaaS Solutions.** We plan to expand our sales and marketing capabilities and branding campaign, both in the United States and internationally, to aggressively pursue wider recognition for our technology and capabilities. In this regard, we plan to expand our direct sales team, leverage relationships with leading value-added resellers, or VARs, and strategic independent sales organizations to expand sales and generate new customers. We also recently launched our self-service website, so that users can begin to access our platform directly through the internet on a limited basis. Our goal is to expose a large number of consumers to the capabilities and features offered by our platform.

**Increase Penetration in Existing Markets.** We plan to continue to enhance our relationships within our existing target markets to expand our penetration of those accounts and grow our SaaS offerings in these markets. In this regard, we plan to align with leading providers in each of our key vertical markets.

**Expand into Other Vertical Markets.** We plan to drive greater awareness and adoption of aiWARE by enterprises across our existing target markets, as well as by other markets such as the Commercial Security and Retail industries. We intend to increase our investment in sales and marketing to meet evolving customer needs in these targeted markets.

**Continue Significant Investment in our Technology Platform.** We plan to continue to invest in building new software capabilities and extending our platform to bring the power of contextual communications to a broader range of applications, with expanded functionality and capabilities. In the first nine months of 2017, we have added 81 cognitive engines to our platform and are planning to expand our Conductor's capabilities to work with additional classes of cognitive engines. We also plan to further expand the feature sets of our platform for specific markets and enhance our overall capabilities.

**Selectively Pursue Acquisitions and Strategic Investments** We plan to selectively pursue acquisitions and strategic investments in businesses and technologies that strengthen our platform, enhance our capabilities and/or expand our market presence in our core vertical markets.

## **Our Technology**

**Ingestion and Adapters.** We have built a scalable, source and type agnostic media ingestion process that utilizes adapters, which are lightweight, pluggable software modules purpose-built to capture media from wherever it resides, to ingest media into our platform for further processing, actions and analytics. Adapters are specific to the ingestion source type and allow for media from that source to be processed via the Veritone recording infrastructure and flow through our platform. Our ingestion platform includes an adapter module framework that allows our ingestion system to dynamically load any external source adapter (i.e. Microsoft OneDrive, DropBox, Box, Google Drive, HTTP/RTSP/RTMP Streams, etc.) and download/stream and ingest the source media automatically. Our solution enables developers to write these adapters to extend the platform to be able to ingest additional data sources

Our system also supports dynamic adapter module loading, unloading, and upgrading from external sources (such as Node Package Manager, or NPM), and automated clustering and scalability based on ingestion source load, and intelligent streaming from sources with live transcoding and storage to multiple destinations.

The ingestion and recording module within our aiWARE uses a proprietary streaming server known as a Pacman to continue to stream/download and ingest media from its configured source utilizing the source adapter. Depending on the adapter, the mechanism for receiving the new media may be push, event based or a polling delta cursor. For stream-based adapters, the adapter connects and stores the stream at scheduled intervals.

Our platform integrates five primary types of capabilities: (i) media ingestion and transformation; (ii) orchestration of cognitive processing via engine selection, (iii) cognitive processing, (iv) proprietary indexing, correlation and storage, and (v) a suite of user applications. In addition to the cognitive class of each engine, engines are also divided into classes based on their requirements for processing and anticipated outputs:

- **Primary Engines.** Primary cognitive engines require no prerequisite cognitive engine data from other engines. All primary cognitive engines write data that is correlated to the media being processed. Primary cognitive engines may not use more than one media type, but can use metadata, third party data, libraries and Conductor data.
- **Secondary Engines.** Secondary cognitive engines require prerequisite cognitive engine data from other engines to run. All secondary cognitive engines write data that is correlated to the media being processed. Secondary cognitive engines may not use more than one media type, but can use metadata, third party data, libraries and conductor data.
- **Cluster Engines.** Cluster cognitive engines may run against multiple media sources. They may write their output to one or more media files that they were run against. These cognitive engines have all the other operating characteristics of secondary engines.

**Distributed Computing SaaS Platform.** Cognitive engines are generally executed in a robust distributed computing environment for processing. As cloud computational speed, power and scalability have dramatically improved, we have capitalized on this trend by creating what we believe to be the first software platform to ingest audio and video media assets from wherever they reside and extract cognitive data produced by a broad range of third party cognitive engine developers, such as Microsoft, Nuance, Google, Amazon, IBM and HPE, among others. We have developed a distributed computing system for the scalable processing of media using cognitive engines, which is built based on POSIX/UNIX principles, and enables us to efficiently achieve massive scale in processing media.

**Proprietary Conductor Technology.** We are leveraging the latest developments in AI to expand the capabilities of our Conductor technologies to manage and route data through the best engines in each cognitive

class. We have created the tools to test and validate the results of voice-to-text transcription engines and automatically select the best transcription engines to deploy for different types of media, and we are working to expand these capabilities for a variety of other types of cognitive engines. By intelligently routing media through a dynamically generated cognitive workflow consisting of disparate engines from various providers, we expect that, in the future, our Conductors will be able to automatically select the optimal engine(s) in each cognitive class for the user's specific needs relative to speed, accuracy and cost. We have filed patent applications covering various aspects of our Conductor technology.

**Proprietary Indexing Capabilities.** Utilizing our proprietary TED database, we have the unique ability to synthesize various disparate cognitive data in a cohesive, time-based format, allowing users to access intelligence previously unattainable from their media. One of our applications, Veritone Discovery, allows for immediate access to data through dynamic, multivariate querying of the elements within, around and derived from media, as well as structured data of the user or third parties. Elements include, but are not limited to, cognitive engine outputs (transcripts, translations, recognized objects and faces, etc.), file metadata, user-associated metadata such as content template outputs and freeform tags. The resulting data is indexed in TED in a time-correlated manner, allowing for the synthesis of disparate data in a cohesive, time-based approach. While storage agnostic, TED currently runs on Elasticsearch, leveraging the Apache Lucerne inverted index architecture.

**Core Applications.** We have developed a suite of native applications that comprise the base level services of our platform and enable users to ingest and manage media files within our platform, run cognitive processes against their media files, access and find the data they need, share media internally or externally, develop libraries of reference training data, review any chosen media file or clip, and analyze the resulting attributes of any media file processed by its cognitive features. Our core applications include the following:

- **Admin.** Veritone Admin is an application that enables our users to manage their account settings, users, access and features within an account.
- **CMS.** Veritone Content Management System, or CMS, is a hosted application that enables our users to ingest, process and search their media. The CMS application provides a common workflow for adding media sources, such as various cloud drive providers (DropBox, Box, Google Drive), stream protocols (HTTP, RTMP, RTSP) and others by adding the sources to CMS. Furthermore, cognitive workflows can be assigned to media sources, allowing an automated customized processing of media from each distinct media source. Once media has been ingested into the CMS system, the media can be managed, edited and further processed by cognitive engines within the application.
- **Discovery.** Veritone Discovery is an application within our platform that allows users to create and execute direct searches against cognitive engine output, either through predefined queries called Watchlists, or via ad-hoc searches. Once a user has generated a search result from a Watchlist or ad-hoc search, they are able to take several permission-controlled actions. These actions include viewing the media snippet, downloading the snippet, editing the cognitive engine metadata, verifying content in the search results and sharing the search results and associated media clips individually or including them as part of a Collection.
- **Collections.** Veritone Collections is an application within our platform that presents groupings of search results or Watchlists in shareable units called Collections. A Collection of search results can be titled and described, then shared externally, via email, link or embedded widget. Users can edit the search results within a Collection from the application before sharing.
- **Library.** Veritone Library is an application within our platform that enables users to create libraries of reference training data such as known faces, objects, or audio files. Engines can then be trained against specific private or public libraries to facilitate specialized engine processing for recognition or fingerprinting.
- **Developer.** Veritone Developer is an application within our platform that enables external developers to integrate engines and user applications for accessibility from the aiWARE platform. This provides

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## [Table of Contents](#)

developers with a self-service mechanism to build on top of the core Veritone architecture to satisfy specific use cases, or to create software products that can be distributed to Veritone's user base as an extension of our core platform offerings.

### **Sales and Marketing**

As of September 30, 2017, we had 55 full time sales and marketing employees and consultants, whose focus is to work together to accelerate the adoption of our platform, to drive awareness and increase brand recognition of our platform and technologies, to improve new customer acquisitions and to increase revenue from our existing customers.

**AI Platform Business.** We currently conduct our SaaS sales and marketing activities through a combination of our direct sales force, who primarily focus on particular vertical markets and are supported by our inside sales team, as well as indirect channel partners such as VARs and referral partners. In addition to targeting new customers, our direct sales team is responsible for driving renewals of existing subscriptions as well as increased adoption of our software by existing and new customers. We intend to expand our sales organization based in the United States and to increase international sales, initially in Europe and Latin America, in order to drive greater market penetration in those markets. From a marketing perspective, we are focused on increasing our brand name recognition within each of our target vertical markets, and have engaged a third party public relations firm to assist in this process. Our marketing efforts include providing media support to our direct sales force, as well as trade advertising and trade show outreach. Our marketing efforts also include a branding and digital campaign strategy designed to reach both market influencers and the media.

**Media Agency Business.** We market and sell our advertising services through a combination of our direct field sales and indirect channel sales. We primarily market and sell directly to advertisers through outbound sales networking and client and partner referrals. Our direct clients include category leaders such as Uber Technologies, Inc., 1-800-flowers.com, Inc. and Dollar Shave Club, Inc. Our indirect sales channel consists of referral partners who are mainly advertising agencies or marketing consultants who are unable to provide certain services to their clients, such as radio, Podcast and YouTube placements. In addition to our sales efforts for new clients, we further expand sales opportunities and upsell through our campaign strategists who work directly with our advertising clients to optimize and enhance media spending on advertising campaigns. We plan to continue to expand our domestic sales footprint through the addition of direct sales representatives and campaign strategists.

### **Customers**

In our AI Platform Business, we have initially targeted customers in four vertical markets: Media, Politics, Legal/eDiscovery and Government.

- In the Media vertical, we are targeting media owners and broadcasters, including radio and television stations and networks and sports and entertainment properties. Our clients in this market during 2016 included iHeartMedia Inc., the Los Angeles Rams, Speedway Motorsports, Inc., Westwood One, Inc. and a leading sports radio network. In 2017, we have signed license agreements with a leading national news and sports radio network, a major financial news television network, and the largest operator of radio stations in the United States, among others.
- In the Politics vertical, we are targeting political parties, elected officials and political campaigns, PACs and special interest groups. Our clients in this market during 2016 included the Republican National Committee, the Liberal Party of Australia and a number of elected officials, political campaigns and opposition research groups.
- In the Legal/eDiscovery vertical, we are targeting consulting firms and resellers who work with large law firms and corporate legal departments that have significant litigation and/or compliance

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## [Table of Contents](#)

requirements. In the first quarter of 2017, we completed the integration of our platform with Relativity, an industry-leading eDiscovery software platform, enabling users to perform large-scale, automated analytics of audio and video files within the Relativity environment. We have signed agreements with 37 resellers in this market, pursuant to which they have begun marketing our AI platform and capabilities to law firms nationwide, as well as with three major U.S. law firms.

- In the Government vertical, we are targeting state, local and federal law enforcement agencies, intelligence agencies and other governmental agencies, as well as resellers and system integrators who work with such agencies. We are actively engaged in negotiations with various state and local law enforcement agencies to provide access to our SaaS solutions. We have not yet entered into agreements with any clients in this market.

In our Media Agency Business, we target customers that make significant investments in advertising, particularly in native and spot-based advertising campaigns delivered over broadcast radio, satellite audio, streaming audio, digital video services and other social media channels and podcasting. Our key customers in this market during 2016 included Casper Sleep, Inc., Dollar Shave Club, Inc., DraftKings, Inc., LegalZoom, Inc., SimpliSafe, Inc., Tommy John, Inc. and Uber Technologies, Inc.

### **Competition**

The market for AI-enabled solutions is rapidly evolving and highly competitive, with new capabilities and solutions introduced by both large established players such as IBM, Google, Amazon, Microsoft and Salesforce seeking to harness the power of AI across multiple vertical markets or enterprise functions, as well as smaller emerging companies developing point solutions that generally only address a single cognitive category.

**AI Platform Business.** We believe the following competitive attributes are necessary for our SaaS offering to successfully compete in the AI industry for corporate, institutional and government customers:

- Breadth and depth of cognitive capabilities;
- Ease of deployment and integration;
- Cognitive performance;
- Platform scalability, reliability and security;
- Ability to deploy state-of-the art AI capabilities;
- Customer support;
- Strength of sales and marketing efforts; and
- Cost of deploying and using our products.

We believe that we compete favorably on the basis of the factors listed above. We believe that few of our competitors currently compete directly with us across all of our cognitive capabilities and vertical markets, and that none of our competitors currently deploy an AI operating system with an open ecosystem comprised of a comparable number of multiple third party cognitive engines that can be accessed by customers from a single integrated platform.

Our competitors fall into five primary categories:

- Infrastructure-based cloud computing vendors offering cognitive APIs, such as IBM Watson via Bluemix, Microsoft Cognitive Services via Azure and Amazon Machine Learning via AWS; typically these solutions provide raw computing and storage solutions across cognitive categories such as translation, transcription and object detection from which customers can build their own solutions;

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## Table of Contents

- Large established media services companies with global advertising reach that are also deploying new media analytics technologies to best service the needs of major brands; these include the major ad agencies and their affiliates;
- Smaller AI-focused vendors offering solutions within a single cognitive category such as Clarifai (object detection), VoiceBase (natural language processing) or Gracenote (audio fingerprinting);
- Data management and/or analytics vendors that offer solutions that recognize patterns, anomalies, and correlations from customer data sets, such as Alpine Data Labs, Alteryx, Angoss Software, Dell, FICO, GrayMeta, IBM, Microsoft, Oracle, SAP and SAS; and
- SaaS-based integrated vendors focused on a limited set of use cases, such as Deloitte Consulting, as well as smaller providers focused on a particular industry, such as eDiscovery, politics, digital asset management or law enforcement.

Many of the same potential competitors listed above participate in our AI ecosystem, enabling their services to be accessed by our customers through our platform. For example, we leverage cloud computing solutions and storage from Amazon and Microsoft's Azure, and also deploy and integrate cognitive APIs from such vendors as IBM, Google, Microsoft, VoiceBase and Clarifai. Further, within our target verticals, we are collaborating with companies within the above categories, such as platform providers within eDiscovery.

**Media Agency Business.** Competitors of our advertising services are mainly traditional advertising agencies that are either large full-service agencies or smaller niche agencies with a particular specialization or focus, such as radio media placement. We believe that we currently are, and will continue to, compete successfully against our competitors on several key factors. We are a leader in endorsed radio advertising services and expect to be able to command more of our clients' advertising budgets as we expand our media services further within digital and television. In addition, we leverage our platform to provide our clients with innovative technology that we believe provides them with better analytics and insights into their advertising campaigns than our competitors for better advertising performance and optimization. Lastly, due to our reputation and strength within the industry, we have exclusive relationships with most of our advertising clients for audio related media placement.

Some of our competitors have greater financial, technical and other resources, greater name recognition, larger sales and marketing budgets and larger intellectual property portfolios. As a result, certain of our competitors may be able to respond more quickly and effectively than we can to new or changing opportunities, technologies, standards or customer requirements. In addition, some competitors may offer products or services that address one or a limited number of functions at lower prices, with greater depth than our products or geographies where we do not operate. With the introduction of new products and services and new market entrants, we expect competition to intensify in the future. Moreover, as we expand the scope of our platform, we may face additional competition.

### **Research and Development**

As of September 30, 2017, our research and development organization consisted of 51 dedicated employees, who are responsible for the design, development, testing and certification of our platform. The team is comprised of dedicated research employees, software engineers, quality engineers, data scientists, data engineers, site operations engineers, mobile app developers, product managers and user experience designers. We focus our efforts on developing new features and expanding the core technologies that further enhance the usability, functionality, reliability, performance and flexibility of our platform, as well as allow us to operate in new vertical markets. In addition, we contract with select third-party engineering services to support development and quality assurance testing.

## **Intellectual Property**

We rely on a combination of patent, copyright, trademark and trade secret laws in the United States and other jurisdictions, as well as license agreements and other contractual protections, to protect our proprietary technology. We also rely on a number of registered and unregistered trademarks to protect our brand.

As of September 30, 2017, in the United States, we had nine issued patents, which expire between 2028 and 2031, and had 29 patent applications pending for examination. As of such date, we also had 20 patent applications pending for examination in foreign jurisdictions, all of which are related to our U.S. patents and patent applications. In addition, as of September 30, 2017, we had five registered trademarks in the United States, and we have filed applications to register several additional marks. We seek to protect our intellectual property rights by implementing a policy that requires our employees and independent contractors involved in development of intellectual property on our behalf to enter into agreements acknowledging that all works or other intellectual property generated or conceived by them on our behalf are our property, and assigning to us any rights, including intellectual property rights, that they may claim or otherwise have in those works or property, to the extent allowable under applicable law.

Despite our efforts to protect our technology and proprietary rights through intellectual property rights, licenses and other contractual protections, unauthorized parties may still copy or otherwise obtain and use our software and other technology. In addition, we intend to continue to expand our international operations, and effective intellectual property, copyright, trademark and trade secret protection may not be available or may be limited in foreign countries. Any significant impairment of our intellectual property rights could harm our business or our ability to compete. Further, companies in the communications and technology industries may own large numbers of patents, copyrights and trademarks and may frequently threaten litigation, or file suit against us based on allegations of infringement or other violations of intellectual property rights. We may face allegations in the future that we have infringed the intellectual property rights of third parties, including our competitors and non-practicing entities.

## **Regulatory Environment**

We are subject to a number of U.S. federal and state and foreign laws and regulations that involve matters central to our business. These laws and regulations involve privacy, data protection, intellectual property, competition, consumer protection and other subjects. Many of the laws and regulations to which we are subject are still evolving and being tested in courts and could be interpreted in ways that could harm our business. In addition, the application and interpretation of these laws and regulations are often uncertain, particularly in the new and rapidly evolving industry in which we operate. Because global laws and regulations have continued to develop and evolve rapidly, it is possible that we may not be, or may not have been, compliant with each such applicable law or regulation.

## **Employees**

As of September 30, 2017, we had a total of 176 full-time employees and 9 full and part-time consultants. None of our employees are represented by a labor union or covered by a collective bargaining agreement. We have not experienced any work stoppages, and we consider our relations with our employees to be good.

## **Legal Proceedings**

We are not currently party to any pending material legal proceedings. From time to time, we may become a party to litigation incident to the ordinary course of our business. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

## **Facilities**

Our principal executive offices are located in Costa Mesa, California. In July 2017, we entered into a Lease Agreement covering approximately 38,000 square feet of office space, with a term expected to commence in



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## Table of Contents

February 2018 and continue through December 2024. Our effective base rental payments under this lease will be approximately \$114,000 per month, and we will also pay certain operating expense charges relating to the space. Subject to meeting certain conditions, we have two options to extend the term for additional periods of five years each, and we have certain rights to lease other available space in the building. We are currently occupying approximately 20,000 square feet of office space in the same building on a temporary basis during construction, for total rental payments of approximately \$24,000 per month.

In addition to our principal executive offices, we lease approximately 7,965 square feet in San Diego, California pursuant to a lease that expires in August 2022. Our total payments under this lease are approximately \$21,100 per month. We also lease additional office space in New York, New York; San Francisco, California; Los Angeles, California; Newport Beach, California; Arlington, Virginia; and London, England.

We lease all of our facilities and do not own any real property. We intend to procure additional space in the future as we continue to add employees and expand geographically. We believe our facilities are adequate and suitable for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate our operations.

**MANAGEMENT**

Below is a list of the names and ages, as of October 31, 2017, of our executive officers and current and prospective directors, and a description of the business experience of each of them.

<u>Name</u>	<u>Age</u>	<u>Position(s)</u>
<b><i>Executive Officers</i></b>		
Chad Steelberg	46	Chief Executive Officer and Chairman of the Board
Ryan Steelberg	43	President and Director
Peter F. Collins	53	Executive Vice President and Chief Financial Officer
Jeffrey B. Coyne	51	Executive Vice President, General Counsel and Secretary
John A. Ganley	69	Executive Vice President, Human Resources
<b><i>Non-Employee Directors</i></b>		
Nathaniel Checketts	34	Director (1)(2)(3)
Jeff Gehl	50	Director (1)(2)(3)
G. Louis Graziadio, III	67	Director
Knute P. Kurtz	61	Director (1)(2)(3)
Christopher J. Oates	47	Director (1)(2)(3)
Edward J. Treska	50	Director
Frank E. Walsh, III	49	Director

- (1) Member of Audit Committee
- (2) Member of Compensation Committee
- (3) Member of Corporate Governance and Nominating Committee

**Executive Officers**

**Chad Steelberg** is a co-founder of our company and has served as our Chief Executive Officer and Chairman of the Board since August 2013. From January 2007 to December 2012, he served as a board member of Brand Affinity Technologies, Inc., a technology and marketing services company. Prior to that, Mr. Steelberg served as the general manager of the Audio Division of Google, Inc. from February 2006 to February 2007. From February 2002 to February 2007, he was the co-founder and Chief Executive Officer of dMarc Broadcasting, an advertising company that was acquired by Google in 2007. Prior to that, Mr. Steelberg was the co-founder and Chief Executive Officer of Adforce, a publicly-traded centralized independent ad-serving company that was acquired by CMGi in 1999. We believe that Mr. Steelberg is qualified to serve on our Board based on his long and successful track record in identifying new market opportunities, creating disruptive technology based companies and leading them to successful exits. In addition, Mr. Steelberg’s intimate knowledge of the day-to-day management and operations of our company provide our Board with an in-depth understanding of our company. On December 15, 2014, Brand Affinity Technologies, Inc. filed a petition for relief under the Bankruptcy Code commencing the matter of *In re Brand Affinity Technologies, Inc.*, United States Bankruptcy Court for the Central District of California, Santa Ana Division, Case No.8:14-bk-17244 SC. Chad Steelberg and Ryan Steelberg previously served as officers, directors and beneficial owners of Brand Affinity Technologies. The Bankruptcy Court entered an order closing this bankruptcy case on December 5, 2016.

**Ryan Steelberg** is a co-founder of our company and has served as the President of our subsidiaries, Veritone ONE, Inc., since June 2015. In March 2017, he was also appointed as President of our company. From October 2007 to December 2014, he served as the President and Chief Executive Officer of Brand Affinity Technologies, Inc. Prior to that, Mr. Steelberg served as the Head of the Radio Division of Google from February 2006 to February 2007. From September 2002 to February 2007, he was the co-founder and President of dMarc Broadcasting, an advertising company that was acquired by Google in 2007. We believe that Mr. Steelberg is qualified to serve on our Board because of his extensive experience in the business development, marketing and

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## Table of Contents

management of enterprises in the media and digital technology industries. In addition, Mr. Steelberg's intimate knowledge of our company's operations and technology provide our Board with an in-depth understanding of our company.

**Peter F. Collins** has served as our Executive Vice President and Chief Financial Officer since May 2017 and previously as our Senior Vice President and Chief Financial Officer from October 2016 to May 2017. From May 2014 to October 2016, Mr. Collins served as Chief Financial Officer at J. Brand Holdings, LLC, a premium clothing company and a subsidiary of Fast Retailing Co., Ltd. From March 2007 to July 2013, Mr. Collins served as Chief Financial Officer of True Religion Apparel Inc., a publicly traded premium clothing company. From April 2004 to March 2007, he served as Divisional Vice President, Corporate Controller and Principal Accounting Officer for Nordstrom, Inc. From 2002 to 2004, Mr. Collins served in various financial roles with Albertson's, Inc., a supermarket chain, including Group Vice President and Controller. Prior to that, from 1998 until 2002, Mr. Collins was a partner with Arthur Andersen LLP, serving clients in the healthcare, retail, distribution and manufacturing industries.

**Jeffrey B. Coyne** has served as our Executive Vice President, General Counsel and Secretary since October 2016. From July 2004 to April 2016, Mr. Coyne served as Senior Vice President, General Counsel and Corporate Secretary, with responsibility for legal affairs and human resources, at Newport Corporation, a global supplier of advanced technology products that was acquired by MKS Instruments, Inc., and as Vice President, General Counsel and Corporate Secretary of Newport Corporation from June 2001 to July 2004. Prior to that, Mr. Coyne was a partner in the Corporate and Securities Law Department of Stradling Yocca Carlson & Rauth, P.C. from January 2000 to June 2001, and was an associate attorney at such firm from February 1994 to December 1999. From November 1991 to February 1994, Mr. Coyne was an associate attorney at Pillsbury Madison & Sutro LLP (now Pillsbury Winthrop Shaw Pittman LLP), an international law firm. Mr. Coyne is a member of the State Bar of California and the Orange County Bar Association.

**John A. Ganley** has served as our Executive Vice President, Human Resources since May 2017. From March 2013 to January 2017, Mr. Ganley was Managing Partner of Force Four Partners, an executive search and management consulting firm. From December 2005 to March 2013, Mr. Ganley was Global Vice President of Human Resources and Chief Talent Officer for Quest Software, Inc., a global systems management and security software provider, prior to its acquisition by Dell, Inc. Prior to joining Quest, from July 2004 to July 2005, Mr. Ganley was Director of Global Staffing of Symbol Technologies, a worldwide supplier of mobile data capture and delivery equipment, prior to its acquisition by Motorola. From September 2001 to June 2004, he was Founder and Owner of JAG Partners, an executive search firm. From December 2000 to June 2001, Mr. Ganley was Senior Vice President of Executive Resources at 3Com Corporation, a leading developer and manufacturer of computer networking products. From March 1993 to December 2000, Mr. Ganley served as Chief Talent Officer of EMC2 Corporation, a global provider of data storage systems. Prior to joining EMC, Mr. Ganley spent 16 years with Digital Equipment Corporation in senior human resources roles.

### **Directors**

**Nathaniel Checketts** has served as our director since July 2014. Since April 2012, Mr. Checketts has served as the Chief Executive Officer of Rhone Apparel, Inc., a producer and distributor of premium men's activewear. From September 2012 to August 2014, he served as a partner of Checketts Partners Investment Fund, an investment advisor focused on the sports, media and entertainment sectors, where he continues to serve as an Advisor. From March 2013 to January 2016, Mr. Checketts served as a director of ScoreBig, Inc., a ticket vendor for live events. From September 2007 to August 2011, he was the founder and president of Mangia Technologies, Inc., a company that provides a platform for sports fans at stadiums to order consumer goods. We believe that Mr. Checketts is qualified to serve on our Board based on his extensive experience and knowledge in developing and managing high-growth companies in the digital media, mobile technology and sports and entertainment industries, as well as his expertise in finance and capital investment transactions.

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## Table of Contents

**Jeff Gehl** has served as our director since May 2017. Since 2001, Mr. Gehl has been a Managing Partner of RCP Advisors, a private equity firm he co-founded in 2001. Mr. Gehl is responsible for leading RCP's client relations and fund-raising activities, as well as its relationships with private equity fund managers in the Western United States, and he also serves as a member of the investment committees and advisory boards of various funds in which RCP is invested. Prior to co-founding RCP, he was involved in a number of private equity-financed companies, where he held senior positions in finance and operations. In addition, Mr. Gehl founded and served as Chairman and Chief Executive Officer of MMI, a technical staffing company, and acquired Big Ballot, Inc., a sports marketing firm. Mr. Gehl received a bachelor of science degree in Business Administration from the University of Southern California's Entrepreneur Program, where he received the "Entrepreneur of the Year" award in 1989. We believe that Mr. Gehl is qualified to serve on our Board based on his extensive experience in financing, developing and managing high-growth technology companies.

**G. Louis Graziadio, III** has served as our director since August 2016. Mr. Graziadio is President and Chief Executive Officer of Second Southern Corp., the managing partner of Ginarra Partners, L.L.C., a closely-held company involved in a wide range of investments and business ventures. Mr. Graziadio is the Executive Chairman of Acacia, our senior lender. Mr. Graziadio is also Chairman of the Board and Chief Executive Officer of Boss Holdings, Inc., a distributor of consumer goods. From 1984 to 2000, Mr. Graziadio served as a director of Imperial Bancorp, the parent company of Imperial Bank, a Los Angeles based commercial bank acquired by Comerica Bank in January 2001. Mr. Graziadio, and companies with which he is affiliated, are significant shareholders in numerous private and public companies in a number of different industries. Since 1978, Mr. Graziadio has been active in restructurings of both private and public companies, as well as corporate spin-offs and IPOs. Mr. Graziadio previously served as a director of True Religion Apparel, Inc., a publicly traded premium clothing company until its sale in July 2013. Mr. Graziadio is also a member of the board of directors of World Point Terminals, LP, which owns, operates, develops, and acquires terminal assets relating to the storage of light refined products and crude oil. In addition, Mr. Graziadio is a member of the Pepperdine University Board and the Board of Visitors of the Graziadio School of Business and Management at Pepperdine University. He is also a founding member of the board of directors of the Los Angeles Fire Department Scholarship Fund. We believe that Mr. Graziadio is qualified to serve on our Board due to his extensive experience resulting from holding a number of senior management positions at several different companies, as well as his expertise in the area of finance, investment and capital market transactions. In addition, his experience in serving on the boards of directors of public companies will provide our Board with valuable skills and capability to help guide the governance of our company following this offering.

**Knute P. Kurtz** has served as our director since June 2017. Until his retirement in June 2016, Mr. Kurtz was the Managing Partner of the Orange County office of PricewaterhouseCoopers LLP, or PwC. During his ten years in that role, Mr. Kurtz was responsible for leading all important market facing activities on behalf of PwC and overseeing the delivery of assurance, financial/tax and advisory services to public and private clients in the market. He was a member of PwC's senior leadership for the Southern California, Phoenix and Las Vegas cluster of offices and also served as the Market Leader for PwC's Private Company Services practice in that geography. Prior to his role in the Southern California market, Mr. Kurtz served in various other leadership positions with PwC over a career that spanned 38 years and six offices throughout the United States. His professional experience includes serving as the lead advisor and audit partner to public and private clients in a number of different industry sectors and companies as diverse as Fortune 500 companies to high tech start-up entities. In addition to financial/audit services, he has extensive experience in capital market transactions including IPO's, mergers and acquisitions and debt offerings. His client work has also included advising audit committees and senior management on matters pertaining to corporate governance, risk assessments, internal controls and strategic initiatives. Mr. Kurtz currently serves as a director of Sunwest Bank, a privately-held regional bank. We believe that Mr. Kurtz is qualified to serve on our Board based on his extensive experience and knowledge in accounting and auditing matters involving publicly-traded-technology companies, which will provide the Board with valuable insight in their oversight of our company in these areas.

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## [Table of Contents](#)

**Christopher J. Oates** has served as our director since July 2014. Since 2003, Mr. Oates has been the Founder and Managing Director of RimLight, LLC, a privately-held, actively managed investment and strategic advisory firm. Prior to the formation of RimLight, LLC, Mr. Oates held senior level strategic planning, finance and business development positions in both public and private companies where he specialized in the design and implementation of entry strategies for markets throughout Europe, South America and the Middle East, with a primary focus on China, Southeast Asia and the balance of the Asia-Pacific region. Mr. Oates is Founder and Managing Partner of Nio Advisors, LLC, an investment and advisory firm servicing entrepreneurial, growth-based companies, governments and financial institutions operating in emerging, frontier and pre-frontier markets, with a special focus on the greater Middle East. Mr. Oates is the former Chairman of O2K Worldwide Management Group, a multi-service sports marketing agency and currently serves as a director and/or an active advisory board member of a variety of companies in the technology, media, software, mobile and food/beverage sectors. He is a Member of the Board of Trustees of the John G. Shedd Aquarium and an Advisory Board Member at the Rand Corporation's Center for Middle East Public Policy. We believe that Mr. Oates is qualified to serve on our Board due to his extensive experience and knowledge in strategic transaction, business development and financial management of media and technology companies, which provide valuable insight to the Board with respect to our operations and growth strategies.

**Edward J. Treska** has served as our director since May 2017. Mr. Treska is the Senior Vice President, General Counsel and Secretary of Acacia. He joined Acacia in April 2004 as Vice President, and he was appointed Secretary in March 2007, General Counsel in March 2010 and Senior Vice President in October 2011. Mr. Treska was previously General Counsel, Director of Patents and Licensing for SRS Labs, Inc., a technology licensing company specializing in audio enhancement, between 1996 and 2004. Mr. Treska has over 20 years of licensing experience and has written and negotiated hundreds of technology license and partnership agreements with some of the world's largest companies. Prior to joining SRS Labs, Mr. Treska practiced law at the intellectual property law firm of Knobbe, Martens, Olson & Bear and prior to law school was a design engineer with the former TRW Space & Technology Group. Mr. Treska is a registered patent attorney. We believe that Mr. Treska is qualified to serve on our Board due to his extensive knowledge and expertise in legal matters affecting AI and technology companies, and his experiences with licensing and intellectual property issues will contribute to the Board's understanding of our AI Platform Business. In addition, his relationship with Acacia will provide valuable insight to our Board from the perspective of a major investor of our company.

**Frank E. Walsh, III** has served as our director since May 2017. Mr. Walsh has been a Vice President of Jupiter Capital Management Partners, LLC, a family office, since 1992, and a founding partner of WR Capital Partners, LLC, a private equity investment firm, since 2000. Mr. Walsh has also been a director of Acacia since April 2016. Mr. Walsh formerly served on the board of directors and the audit and compensation committees of 1st Constitution Bancorp and currently serves as a director and audit committee member of World Point Terminals Inc. Mr. Walsh also serves as a trustee for St. Benedicts Preparatory School in Newark, New Jersey and Lehigh University in Bethlehem, Pennsylvania. We believe that Mr. Walsh is qualified to serve on the Board because of his business skills and experience, executive leadership expertise and investment acumen developed during his long career at Jupiter Capital Management Partners, LLC and WR Capital Partners, LLC, and his service on other boards. In addition, we believe Mr. Walsh will provide the Board with valuable input on strategic planning due to his extensive experience in the acquisition and financing of both public and private companies in the technology industry and many other industries.

### **Composition of Our Board of Directors**

Our Board currently consists of nine directors, including our Chief Executive Officer and our President.

Our Board has determined that four of our nine directors, Messrs. Checketts, Gehl, Kurtz and Oates, are independent, as determined in accordance with the rules of NASDAQ and the SEC. In making such independence determination, our Board considered the relationships that each non-employee director has with us and all other facts and circumstances that Board deemed relevant in determining their independence. There are

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## **Table of Contents**

no family relationships among any of our directors or executive officers, except that Messrs. Chad Steelberg and Ryan Steelberg are brothers.

Our amended and restated certificate of incorporation provides that the number of directors of our company shall be fixed solely and exclusively by resolution duly adopted from time to time by our Board. Any additional directorships resulting from an increase in the number of directors may only be filled by the directors then in office unless otherwise required by law or by a resolution passed by our Board. The term of office for each director will be until his or her successor is elected at our annual meeting or his or her death, resignation or removal, whichever is earliest to occur.

We entered into a stock option agreement with Mr. Oates in connection with our initial public offering in May 2017. The stock option agreement provides that, in the event that Mr. Oates is not nominated for reelection to the Board for any reason other than Mr. Oates' "Misconduct" (as defined in the 2014 Plan), or in the event of a Change in Control (as defined in the 2014 Plan) in which Mr. Oates is not requested to continue as a director of our company or its successor for any reason other than his Misconduct, then all of the unvested shares subject to such option will immediately vest in full.

### **Voting Agreement**

In connection with the investment by Acacia in our securities in August 2016, we entered into the Voting Agreement with Acacia and certain stockholders, which we refer to as the Holders, including entities affiliated with Chad Steelberg, our Chief Executive Officer, and Ryan Steelberg, our President. Pursuant to the Voting Agreement, our Board consists of a total of nine authorized directors. Until May 17, 2019, or the Voting Period, Acacia has the right to nominate three directors to our Board, and the Holders, voting together as a group, have the right to nominate six directors to our Board. Messrs. Chad Steelberg and Ryan Steelberg, who we refer to as the Founders, currently beneficially own the majority of the voting shares of capital stock held by the Holders, and accordingly, are able to designate all six of the Holders' director nominees. During the Voting Period, Acacia and the Holders have agreed to vote all of their shares to elect the nine directors nominated by them pursuant to the Voting Agreement. In addition, pursuant to the Voting Agreement, each of Acacia and the Holders has the right to appoint three designees to attend and participate in the meetings of our Board in a non-voting capacity.

### **Controlled Company**

Acacia and the Holders, collectively, will beneficially own more than 50% of our voting power. Pursuant to the Voting Agreement, Acacia and the Holders (acting as a group) can designate and elect all nine directors on our Board. As a result, we are considered a "controlled company" within the meaning of the corporate governance standards of NASDAQ.

Under these rules, a listed company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain corporate governance requirements, including, among others, the requirements that:

- a majority of our Board consist of "independent directors" as defined by the applicable rules and regulations of NASDAQ;
- the compensation of our executive officers be determined, or recommended to our Board for determination, by independent directors constituting a majority of the independent directors of our Board in a vote in which only independent directors participate or by a compensation committee comprised solely of independent directors; and
- director nominees be selected, or recommended to our Board for selection, by independent directors constituting a majority of the independent directors of our Board in a vote in which only independent directors participate or by a nomination committee comprised solely of independent directors.

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## Table of Contents

At this time, we are unable to comply with certain of NASDAQ's corporate governance requirements with respect to our Board, as a majority of our Board does not consist of independent directors, and as such, we are electing to avail ourselves of the exemptions afforded to controlled companies. We intend that our Compensation Committee and our Corporate Governance and Nominating Committee will continue to be comprised solely of independent directors. We may not be able to comply with all of NASDAQ's other corporate governance requirements. As a controlled company, you will not have the same protections afforded to the stockholders of companies that are subject to all of NASDAQ's corporate governance requirements.

### **Classified Board**

Our Board is divided into three classes, with each director serving a three-year term, and one class being elected at each year's annual meeting of stockholders. Messrs. Checketts, Gehl and Oates are currently serving as Class I directors with an initial term expiring in 2018. Messrs. Kurtz, Treska and Walsh are currently serving as Class II directors with an initial term expiring in 2019. Ryan Steelberg, Chad Steelberg and Mr. Graziadio are currently serving as Class III directors with an initial term expiring in 2020.

### **Audit Committee**

Our Audit Committee consists of Messrs. Checketts, Gehl, Kurtz and Oates, and Mr. Kurtz serves as the Chairman. Our Board has affirmatively determined that each member of the Audit Committee meets the definition of "independent director" for purposes of serving on an audit committee under Rule 10A-3 and NASDAQ rules. In addition, our Board has determined that Mr. Kurtz qualifies as an "audit committee financial expert," as such term is defined in Item 407(d)(5) of Regulation S-K. Each member of the Audit Committee will be financially literate at the time such member is appointed.

Our Audit Committee is authorized to:

- approve and retain the independent auditors to conduct the annual audit of our financial statements;
- review the proposed scope and results of the audit;
- review and pre-approve audit and non-audit fees and services;
- review accounting and financial controls with the independent auditors and our financial and accounting staff;
- review and approve transactions between us and our directors, officers and affiliates;
- recognize and prevent prohibited non-audit services;
- establish procedures for complaints received by us regarding accounting matters; and
- oversee internal audit functions, if any.

Our Audit Committee operates under a written charter that satisfies the applicable standards of the SEC and NASDAQ and which is available on our website at [www.veritone.com](http://www.veritone.com).

### **Compensation Committee**

Our Compensation Committee consists of Messrs. Checketts, Gehl, Kurtz and Oates, and Mr. Oates serves as the Chairman. Our Board has determined that each member of the Compensation Committee is "independent" as that term is defined in the applicable SEC and NASDAQ rules. Our Compensation Committee is authorized to:

- review and determine the compensation arrangements for management;
- establish and review general compensation policies with the objective to attract and retain superior talent, to reward individual performance and to achieve our financial goals;

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## Table of Contents

- administer our stock incentive and purchase plans;
- oversee the evaluation of our management;
- evaluate and make recommendations to our Board regarding the compensation of our Board and its committees; and
- review the independence of any compensation advisers engaged by our Compensation Committee.

Our Compensation Committee operates under a written charter that satisfies the applicable standards of the SEC and NASDAQ and is available on our website at [www.veritone.com](http://www.veritone.com).

### **Corporate Governance and Nominating Committee**

Our Corporate Governance and Nominating Committee consists of Messrs. Checketts, Gehl, Kurtz and Oates, and Mr. Gehl serves as the Chairman. Our Board has determined that each member of the Corporate Governance and Nominating Committee is “independent” as that term is defined in the applicable SEC and NASDAQ rules. Our Corporate Governance and Nominating Committee is authorized to:

- identify, evaluate and make recommendations to our Board regarding prospective director nominees;
- oversee the evaluation of our Board and its committees;
- review developments in corporate governance practices;
- evaluate the adequacy of our corporate governance practices and reporting; and
- develop, periodically review and make recommendations to our Board regarding corporate governance guidelines and matters.

The Corporate Governance and Nominating Committee operates under a written charter that satisfies the applicable standards of NASDAQ and which is available on our website at [www.veritone.com](http://www.veritone.com).

### **Board Leadership Structure and Role of the Board in Risk Oversight**

Chad Steelberg, our Chief Executive Officer, serves as our Chairman of the Board. The Chairman has authority, among other things, to preside over Board meetings and set the agenda for Board meetings. Accordingly, the Chairman has substantial ability to shape the work of our Board. We currently believe that the combination of the roles of Chairman and Chief Executive Officer is appropriate for our business and affairs. Mr. Steelberg has extensive knowledge and experience in the management and operation of digital media companies, and an in-depth understanding of our business strategies and day-to-day operations, which makes him well suited to set the agenda and lead the discussions at board meetings as the Chairman. This will also facilitate communications between the Board and management by ensuring a regular flow of information, thereby enhancing the Board’s ability to make informed decisions on critical issues facing our company. However, no single leadership model is right for all companies and at all times. The Board recognizes that depending on the circumstances, other leadership models, such as the appointment of a lead independent director, might be appropriate. Accordingly, the Board may periodically review its leadership structure. In addition, following the completion of the offering, the Board will hold executive sessions in which only independent directors are present as required under applicable NASDAQ rules.

Our Board is generally responsible for the oversight of corporate risk in its review and deliberations relating to our activities. Our principal source of risk falls into two categories, financial and operational risks. The Audit Committee oversees management of financial risks, and our Board regularly reviews information regarding our cash position, liquidity and operations, as well as the risks associated with each. The Board regularly reviews plans, results and potential risks related to our business operations, growth strategies and other operational risks. Our Compensation Committee is expected to oversee risk management as it relates to our compensation plans, policies and practices for all employees including executives and directors.



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[Table of Contents](#)

**Code of Business Conduct and Ethics**

We have adopted a code of business conduct and ethics applicable to our principal executive, financial and accounting officers and all persons performing similar functions. A copy of that code is available on our principal corporate website at [www.veritone.com](http://www.veritone.com). We expect that any amendments to the code, or any waivers of its requirements, will be disclosed on our website.

**Compensation Committee Interlocks and Insider Participation**

None of the members of our Compensation Committee has at any time during the past fiscal year been one of our officers or employees. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or Compensation Committee of any entity that has one or more executive officers serving on our Board or Compensation Committee.

## EXECUTIVE COMPENSATION

This narrative discussion of the compensation policies and arrangements that apply to our named executive officers is intended to assist your understanding of, and to be read in conjunction with, the Summary Compensation Table and related disclosures set forth below. As an emerging growth company, we are eligible to comply with the executive compensation disclosure rules applicable to a “smaller reporting company,” as defined in applicable SEC rules and regulations.

### Named Executive Officers

Our named executive officers include our principal executive officer and our two other most highly compensated executive officers who were serving as executive officers as of December 31, 2015 and December 31, 2016. For 2015, our named executive officers were:

- Chad Steelberg, our Chief Executive Officer, and the Chairman of our Board (also our principal executive officer);
- John M. Markovich, who formerly served as our Chief Financial Officer until September 2, 2016 and was a consultant to our company providing transition services until November 10, 2016.
- Ryan Steelberg, our President.

For 2016, our named executive officers were:

- Chad Steelberg, our Chief Executive Officer, and the Chairman of our Board (also our principal executive officer);
- Peter F. Collins, our Executive Vice President and Chief Financial Officer, who joined us in October 2016 (also our principal financial and accounting officer);
- Ryan Steelberg, our President, the President of our Veritone One, Inc. subsidiary; and
- Jeffrey B. Coyne, our Executive Vice President, General Counsel and Secretary, who joined us in October 2016.

### Compensation Program

The base salary and bonus for each of the Named Executive Officers is set forth in their respective employment agreements or offer letters. We do not currently have a formal compensation program with respect to our officers, but we are in the process of developing such a program. We have developed a compensation program for our non-employee directors, and have approved an automatic annual equity grant program under our 2017 Plan for our non-employee directors. See “—2017 Stock Incentive Plan—Automatic Grant Program” and “—Director Compensation.”

### Employment Agreements

#### *Employment Agreements with Chad Steelberg and Ryan Steelberg*

In March 2017, we entered into employment agreements with each of Chad Steelberg and Ryan Steelberg, who are our Chief Executive Officer and President, respectively. Pursuant to these employment agreements, the annual base salaries of Chad Steelberg and Ryan Steelberg are \$1.00 and \$350,000, respectively. These annual base salaries are subject to periodic review and adjustment at the discretion of our Board or our Compensation Committee. In addition, during the term of Chad Steelberg’s employment, we will issue to Mr. Steelberg, on the last trading day of each calendar quarter commencing after March 31, 2017, a number of shares of our common stock derived by dividing \$125,000 by the fair market value per share of our common stock on such date. Chad Steelberg and Ryan Steelberg will also be eligible to receive annual performance bonuses in the discretion of our

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## Table of Contents

Compensation Committee. Each employment agreement has an initial term of three years, which will be renewed automatically for additional one year terms unless either we or such officer notifies the other party of its intent not to renew the agreement at least 90 days prior to the expiration of the then-current term.

Pursuant to the employment agreements, we paid performance bonuses to Chad Steelberg and Ryan Steelberg relating to their services to us in 2016 in the amounts of \$500,000 and \$350,000, respectively. Fifty percent of such bonuses were paid in March 2017, and the remaining amounts were paid in June 2017 and July 2017.

In addition, pursuant to the employment agreements, in May 2017 we granted to each of Chad Steelberg and Ryan Steelberg the following options to purchase shares of our common stock:

- An option (the Time-Based Option) to purchase 1,044,819 shares of our common stock, which option vests in 36 equal monthly installments upon the executive's completion of each month of service over the three-year period measured from the grant date.
- An option (the Performance Option) to purchase 522,409 shares of our common stock, which was scheduled to vest in full upon the earlier of (i) the date the market capitalization of our company equaled or exceeded \$400,000,000 for at least five consecutive trading days, or (ii) May 17, 2022, the fifth anniversary of the closing of our initial public offering, provided that the executive is still in the service of our company on such date. These Performance Options vested in full in September 2017 upon the achievement of such vesting condition.

The employment agreements are at-will agreements and may be terminated at any time and for any reason or without reason. However, if the officer is terminated other than for "Cause" or resigns for "Good Reason" (as defined in their respective employment agreements), then the officer will be entitled to acceleration of the vesting of certain stock options, and, in the case of Ryan Steelberg, to certain cash severance payments. See "—Payments Upon Termination of Employment or Change in Control."

### ***Collins Offer Letter***

On October 10, 2016, we entered into an employment offer letter with Mr. Peter F. Collins, or the Collins Offer Letter, pursuant to which Mr. Collins is to serve as our Senior Vice President, Finance, and Chief Financial Officer. Under the Collins Offer Letter, Mr. Collins will receive an annual base salary of \$200,000 and two equity grants described below. He is also eligible to receive performance-based variable cash compensation targeted at \$100,000, payable annually based on the achievement of certain personal and corporate objectives.

On October 31, 2016, we entered into an agreement with Mr. Collins to memorialize the option grants set forth in the Collins Offer Letter. We and Mr. Collins agreed that we would grant to Mr. Collins restricted shares of our common stock in lieu of and not in addition to the options to purchase our common stock originally set forth in the Collins Offer Letter, which was later reflected in the amendment to the Collins Offer Letter, or the Collins Amendment. Pursuant to the stock issuance agreement with Mr. Collins, we issued to Mr. Collins 21,000 shares of restricted common stock under our 2014 Plan that vest over a four year period, with 25% of the shares to be vested upon his completion of twelve months of continuous service with our company. We issued an additional 6,000 performance shares of restricted stock having the same time-based vesting schedule, plus a performance-vesting condition, which performance condition was not achieved and the 6,000 restricted shares were forfeited.

In November 2016, we entered into a stock issuance agreement with Mr. Collins, pursuant to which we issued Mr. Collins an additional 12,000 shares of restricted common stock under the 2014 Plan, or the Collins Second Grant. These restricted shares vest in four equal annual installments after the vesting commencement date.

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## Table of Contents

On January 23, 2017, we entered into an amendment to the Collins Amendment, pursuant to which we (i) agreed to reflect that the grant to Mr. Collins of restricted shares of our common stock described above was in lieu of and not in addition to the options to purchase our common stock originally set forth in the Collins Offer Letter, (ii) waived our right to repurchase the shares upon Mr. Collins' termination of service with our company and (iii) added a partial acceleration feature to the Collins Second Grant, which permits the acceleration of a portion of the Collins Second Grant upon his termination without "Cause" (as defined in the Collins Offer Letter) in order to compensate Mr. Collins for the taxes paid or payable for the shares which would lapse upon his termination.

### ***Coyne Offer Letter***

On October 13, 2016, we entered into an employment offer letter with Mr. Jeffrey B. Coyne, or the Coyne Offer Letter, pursuant to which Mr. Coyne is to serve as our Executive Vice President, General Counsel and Secretary. Under the Coyne Offer Letter, Mr. Coyne will receive an annual base salary of \$200,000 and two equity grants described below. He is also eligible to receive performance-based variable cash compensation targeted at \$75,000, payable annually based on the achievement of certain personal and corporate objectives.

On October 31, 2016, we entered into an agreement with Mr. Coyne to memorialize the option grants under the 2014 Plan as set forth in the Coyne Offer Letter. We and Mr. Coyne agreed that we would grant to Mr. Coyne restricted shares of our common stock in lieu of and not in addition to the options to purchase our common stock originally set forth in the Coyne Offer Letter, which was later reflected in the amendment to the Coyne Offer Letter, or the Coyne Amendment. Pursuant to the stock issuance agreement, we issued to Mr. Coyne 39,000 shares of restricted common stock under the 2014 Plan that vest over a four year period, with 25% of the shares to be vested upon his completion of twelve months of continuous service with our company, or the Coyne Grant. We issued an additional 6,000 performance shares having the same time-based vesting schedule, plus a performance-vesting condition, which performance condition was not achieved and the 6,000 restricted shares were forfeited.

On January 23, 2017, we entered into the Coyne Amendment, pursuant to which (i) agreed to reflect that the grant to Mr. Coyne of restricted shares of our common stock described above was in lieu of and not in addition to the options to purchase our common stock originally set forth in the Coyne Offer Letter, (ii) we waived our right to repurchase the restricted shares upon Mr. Coyne's termination of service with our company and (iii) added a partial acceleration feature to the Coyne Grant, which permits the acceleration of a portion of the Coyne Grant upon his termination without "Cause" (as defined in the Coyne Offer Letter) in order to compensate Mr. Coyne for the taxes paid or payable for the unvested shares which would otherwise be forfeited upon his termination.

### ***Ganley Offer Letter***

On May 9, 2017, we entered into an employment offer letter with Mr. John A. Ganley, Jr., or the Ganley Offer Letter, pursuant to which Mr. Ganley is to serve as our Executive Vice President, Human Resources. Under the Ganley Offer Letter, Mr. Ganley will receive an annual base salary of \$200,000, and he is eligible to receive performance-based variable cash compensation targeted at \$20,000, payable quarterly based on the achievement of certain personal and corporate objectives. In addition, pursuant to the Ganley Offer Letter, on May 11, 2017, we entered into a stock option agreement with Mr. Ganley, pursuant to which we granted to him nonqualified stock options to purchase up to 24,000 shares of common stock under our 2014 Plan that vest over a four (4) year period provided that Mr. Ganley remains in Service with our company.

### ***Payments Upon Termination of Employment or Change in Control***

In the event that either Chad Steelberg or Ryan Steelberg are terminated without "Cause" (as defined in their respective employment agreements), then all of the unvested options subject to such officer's Time-Based Option will immediately vest, and in the event that either Chad Steelberg or Ryan Steelberg resigns for "Good Reason"

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## Table of Contents

(as defined in their respective employment agreements), then 50% of the then unvested options subject to such officer's Time-Based Option will immediately vest. In addition, in the event of a "Change in Control" (as defined in the 2017 Plan) in which such options are not assumed in the Change in Control or are otherwise cancelled in connection with the Change in Control, all of the unvested options subject to such officer's Time-Based Option shall immediately vest.

In addition, if Ryan Steelberg is terminated without Cause or resigns for Good Reason, he will be entitled to receive a lump sum severance payment equal to his base salary payable for the remainder of the term of his employment agreement.

Both the Collins Amendment and the Coyne Amendment provide that in the event of a Change in Control (as defined in the 2014 Plan), if the forfeiture restrictions with respect to their applicable unvested restricted shares are not assigned to the acquirer, the forfeiture restrictions will lapse and all unvested shares will vest in full immediately prior to the Change in Control.

The option agreements entered into with Messrs. Collins, Coyne and Ganley in connection with certain stock options granted to them in May 2017 provide that, in the event of a Change in Control, if such options are not assumed by the acquirer, or if such officer is terminated without Cause (as defined in such officer's offer letter), then all of the unvested options subject to such officer's grant shall immediately vest.

The Restricted Stock Unit Agreements entered into with our non-employee directors pursuant to the automatic grant provisions of our 2017 Plan provide that, in the event of a Change in Control (as defined in the Agreement), or in the event such director's service is terminated due to such director's death or Permanent Disability (as defined in the Agreement), all of such restricted stock units shall immediately vest.

We entered into a stock option agreement with Mr. Oates in connection with our initial public offering in May 2017. The stock option agreement provides that, in the event that Mr. Oates is not nominated for reelection to the Board for any reason other than Mr. Oates' "Misconduct" (as defined in the 2014 Plan), or in the event of a Change in Control in which Mr. Oates is not requested to continue as a director of our company or its successor for any reason other than his Misconduct, then all of the unvested shares subject to such option will immediately vest in full.

### **Consulting Agreement**

On September 2, 2016, we entered into a consulting agreement with John M. Markovich, our former Chief Financial Officer, or the Consulting Agreement, pursuant to which Mr. Markovich agreed to provide transitional financial consulting services to us, which included advising us on the process and strategic considerations with our public offering; support and assistance with our legal proceedings; support and guidance relating to 409A valuation studies; potential financing transactions; and other transitional issues following his termination as the Chief Financial Officer. In exchange for such services, we agreed to the following compensation package:

- a monthly retainer fee of \$10,000;
- continued monthly vesting of Mr. Markovich's existing shares of restricted stock and stock options;
- in the event that we filed for an initial public offering with the SEC during the term of the Consulting Agreement or within 30 days thereafter, 50% of the unvested restricted stock would accelerate and vest in full; and
- in the event that we completed our initial public offering during the term of the Consulting Agreement or within 30 days thereafter, 100% of the unvested restricted stock would accelerate and vest in full as of the Effective Date of the initial public offering.

We terminated the Consulting Agreement in anticipation of the hiring of our new Chief Financial Officer, effective as of November 10, 2016. Pursuant to his Consulting Agreement, 50% of Mr. Markovich's unvested

[Table of Contents](#)

restricted common stock (7,974 shares) vested in November 2016. The balance of his unvested restricted common stock was forfeited in November 2016.

**Summary Compensation Table**

The following table sets forth summary compensation information for our named executive officers for the years ended December 31, 2015 and 2016.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	Stock Awards (\$)	Option Awards (\$)	All Other Compensation (\$)	Total (\$)
Chad Steelberg (1) <i>Chief Executive Officer</i>	2016	\$ 10	\$500,000	\$721,777(2)	—	\$ 30,306(3)	\$1,252,093
	2015	—	—	—	—	\$ 23,733(3)	\$ 23,733
Ryan Steelberg (1) <i>President</i>	2016	\$ 10	\$350,000	\$868,711(2)	—	\$ 28,604(3)	\$1,247,325
	2015	—	—	—	—	\$ 10,001(3)	\$ 10,001
Peter F. Collins (4) <i>Executive Vice President, Finance, and Chief Financial Officer</i>	2016	\$ 37,121	—	\$292,500	—	—	\$ 329,621
	2015	—	—	—	—	—	—
John M. Markovich (5) <i>Former Chief Financial Officer</i>	2016	\$188,668	—	—	\$16,388	—	\$ 205,056
	2015	\$250,000	\$ 30,000	—	—	—	\$ 280,000
Jeffrey B. Coyne (6) <i>Executive Vice President, General Counsel and Secretary</i>	2016	\$ 37,878	—	\$337,500	—	—	\$ 375,378
	2015	—	—	—	—	—	—

- (1) See “—Employment Agreements” and “—Payments Upon Termination of Employment or Change in Control” for a description of Chad and Ryan Steelberg’s compensation.
- (2) Represents the fair value of 480,918 shares and 480,917 shares of common stock issued to Chad and Ryan Steelberg, respectively, for services rendered to our company in the first four months of 2016, and 98,140 shares of restricted stock granted to Ryan Steelberg later in 2016.
- (3) Represents reimbursement to such officer for the costs of a separate healthcare plan for such officer.
- (4) Mr. Collins joined our company on October 25, 2016. See “—Employment Agreements” and “—Payments Upon Termination of Employment of Change in Control” for a description of Mr. Collins’ compensation.
- (5) Mr. Markovich’s employment with our company terminated on September 2, 2016.
- (6) Mr. Coyne joined our company on October 24, 2016. See “—Employment Agreements” and “—Payments Upon Termination of Employment of Change in Control” for a description of Mr. Coyne’s compensation.

[Table of Contents](#)

**Outstanding Equity Awards at Fiscal Year End**

The following table sets forth information about the outstanding equity awards held by each of our named executive officers as of December 31, 2016.

Name	Grant Date	Stock Option Awards				Stock Awards	
		Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Option Exercise Price (\$)	Option Expiration Date	Number of Shares That Have Not Vested (#)	Market Value of Shares That Have Not Vested (\$)(1)
Chad Steelberg	04/05/16	—	—	—	—	—	\$ —
John M. Markovich	—	—	—	—	—	—	—
Ryan Steelberg	04/05/16	—	—	—	—	61,340	920,100
Peter F. Collins	10/31/2016	—	—	—	—	21,000	315,000
	10/31/2016	—	—	—	—	6,000(2)	—
	11/08/2016	—	—	—	—	12,000	180,000
Jeffrey B. Coyne	10/31/2016	—	—	—	—	39,000	585,000
	10/31/2016	—	—	—	—	6,000(2)	—

- (1) There was no public market for our common stock as of December 31, 2016. We have estimated the market value of the unvested restricted stock awards based on the initial public offering price of \$15.00 per share.
- (2) The performance shares were forfeited in January 2017 due to the failure to meet the vesting conditions set forth in the applicable stock issuance agreements.

**Stock Incentive Plans**

Our Board and stockholders have previously adopted the 2014 Plan, the 2017 Plan and the ESPP, all as further described below. The following descriptions of the 2014 Plan, the 2017 Plan and the ESPP are qualified by reference to the full text of those plans and the related agreements, which are included as exhibits to the registration statement of which this prospectus is a part.

**2014 Stock Option/Stock Issuance Plan**

The 2014 Plan was approved by our Board and stockholders in July 2014.

*Authorized Shares.* In May 2017, our Board determined not to make any further awards under the 2014 Plan. The 2014 Plan will continue to govern outstanding awards granted thereunder. As of September 30, 2017, options to purchase an aggregate of 4,362,592 shares of our common stock were outstanding under the 2014 Plan. Such options have exercise prices equal to the initial public offering price per share, and have terms of 10 years following the date of grant.

*Plan Administration.* Our Board or a committee thereof has the authority to manage and control the administration of the 2014 Plan. In particular, the administrator has the authority to determine the persons to whom awards are granted and the number of shares of our common stock underlying each award. In addition, the administrator has the authority to accelerate the exercisability or vesting of any award, and to determine the specific terms and conditions of each award.

*Stock Options.* The 2014 Plan permitted us to grant options to purchase shares of our common stock that were not intended to qualify as incentive stock options under Section 422 of the Code. Options were issuable to employees, officers, directors, consultants and other service providers. The term of each option under the 2014 Plan, including the exercise price and methods of payment, have been determined by the administrator. After the termination of service of an employee, director, consultant or other service provider for any reason other than for

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## Table of Contents

“Cause” (as defined in such officer’s employment agreement), the participant may exercise his or her option, to the extent vested as of the date of termination, within three months of termination or, if such termination is on account of death or disability, within twelve months of termination. If such termination is for cause, then vested options terminate and may not be exercised. Except as provided by the administrator and as permissible under applicable law, the 2014 Plan does not permit the transferability of awards and only the recipient of the option may exercise an award during his or her lifetime.

*Restricted Stock.* The 2014 Plan also permitted us to grant restricted stock awards. Restricted stock awards were issuable to employees, officers, directors, consultants and other service providers.

*Change in Control.* In the event of a “Change in Control”, as defined in the 2014 Plan, vesting of options or restricted stock under the plan will generally accelerate automatically, effective immediately upon the change in control, unless the change of control is also a public offering.

Our Board may amend or terminate the 2014 Plan at any time, subject to compliance with applicable law. As noted above, our Board has determined not to grant any further options or restricted stock awards under the 2014 Plan. All outstanding awards will continue to be governed by their existing terms.

### **2017 Stock Incentive Plan**

In April 2017, our Board and stockholders approved and adopted the 2017 Plan, which became effective on May 11, 2017.

*Background.* Under the 2017 Plan, employees, non-employee directors, consultants and advisors may, at the discretion of the plan administrator, be granted options, stock appreciation rights, stock awards and restricted stock units.

*Administration.* The Compensation Committee of our Board has the exclusive authority to administer the 2017 Plan with respect to awards made to our executive officers and non-employee Board members and also has the authority to make awards to all other eligible individuals. The term “plan administrator,” as used in this summary, means our Compensation Committee to the extent it is acting within the scope of its administrative authority under the 2017 Plan.

All awards under the automatic grant program for non-employee Board members (described below under “Automatic Grant Program”) will be made in strict compliance with the express terms of that program, except that the plan administrator has the limited discretion to determine the applicable grant date fair value of each award, up to the maximum permissible grant date fair value per award, and to determine whether the grant will be in the form of an option or restricted stock unit, or a combination thereof.

*Eligibility.* Employees (including officers), non-employee directors, and consultants and independent advisors, in our employ or service or in the employ or service of our parent or subsidiary companies (whether now existing or subsequently established) are eligible to participate in the 2017 Plan. The non-employee members of our Board are also eligible to participate in the automatic grant program under the 2017 Plan.

*Securities Subject to Plan.* We have initially reserved 2,000,000 shares of our common stock for issuance under the 2017 Plan. The share reserve will increase automatically on the first trading day of January each calendar year, beginning with calendar year 2018, by an amount equal to 3% of the total number of shares of common stock outstanding on the last trading day in December of the immediately preceding calendar year, up to an annual maximum of 750,000 shares. As of September 30, 2017, options to purchase 199,350 shares of our common stock and 35,576 restricted stock units were outstanding, and 1,752,482 shares were reserved for future grants, under the 2017 Plan.

The shares of our common stock subject to outstanding awards made under the 2017 Plan will be available for subsequent award and issuance to the extent those awards subsequently expire, are forfeited or cancelled or



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## Table of Contents

terminate for any reason prior to the issuance of the shares of common stock subject to those awards. Unvested shares issued under the 2017 Plan and subsequently forfeited or repurchased by us will be added back to the reserve and available for subsequent award and issuance under the 2017 Plan. Should the exercise price of an option under the 2017 Plan be paid in shares of our common stock (whether through the withholding of a portion of the otherwise issuable shares or through the tender of outstanding shares), then the number of shares reserved for issuance under the 2017 Plan will be reduced by the net number of shares issued under the exercised option. Upon the exercise of any stock appreciation right granted under the 2017 Plan, the share reserve will be reduced by the net number of shares actually issued upon such exercise. Should shares of common stock otherwise issuable under the 2017 Plan be withheld by us in satisfaction of the withholding taxes incurred in connection with the issuance, exercise, vesting or settlement of an award under the 2017 Plan, then the number of shares of common stock available for issuance under the 2017 Plan will be reduced by the net number of shares actually issued after any such share withholding.

*Award Limitations.* A participant in the 2017 Plan may not receive (i) stock options and stand-alone stock appreciation rights that are settled in shares of more than 500,000 shares of our common stock in the aggregate in any fiscal year (or 1,000,000 shares in the participant's initial fiscal year of hire), or (ii) awards other than stock options and stand-alone stock appreciation rights that are settled in shares of more than 500,000 shares of our common stock in the aggregate in any fiscal year. In addition, the maximum number of shares of our common stock that may be issued under the 2017 Plan pursuant to stock options intended to qualify as incentive stock options under the federal tax laws may not exceed 2,000,000 shares, which amount shall be automatically increased annually by the same amount as the annual increase in the share reserve under the 2017 Plan.

*Awards.* The plan administrator has discretion to determine which eligible individuals are to receive awards, the time or times when those awards are to be granted, the number of shares subject to each such award, the vesting and exercise schedule (if any) to be in effect for the award, the cash consideration (if any) payable per share subject to the award, the form (cash or shares) in which the award is to be settled, the maximum term for which the award is to remain outstanding, the status of any granted option as either an incentive stock option or a non-statutory option under the federal tax laws and, with respect to performance-based awards, the performance objectives, the amounts payable at designated levels of performance, any applicable service vesting requirements and the payout schedule for each such award.

*Options.* Each granted option will have an exercise price per share determined by the plan administrator, but the exercise price will not be less than 100% of the fair market value of the option shares on the grant date. No granted option will have a term in excess of 10 years. Each option will generally vest and become exercisable for the underlying shares in one or more installments over a specified period of service, provided however that the plan administrator has discretion to award stock options that are immediately exercisable upon grant. Upon cessation of service other than for misconduct, the optionee will have a limited period of time in which to exercise his or her outstanding options to the extent they are at the time exercisable for vested shares. The plan administrator has discretion to extend the period following the optionee's cessation of service during which his or her outstanding options may be exercised, provide for continued vesting during the applicable post-service exercise period and/or to accelerate the exercisability or vesting of such options in whole or in part. Such discretion may be exercised at any time while the options remain outstanding.

*Stock Appreciation Rights.* The 2017 Plan allows the issuance of two types of stock appreciation rights:

- Tandem stock appreciation rights granted in conjunction with stock options, which provide the holders with the right to surrender the related option grant for an appreciation distribution from us in an amount equal to the excess of (i) the fair market value of the vested shares of common stock subject to the surrendered option over (ii) the aggregate exercise price payable for those shares.
- Stand-alone stock appreciation rights, which allow the holders to exercise those rights as to a specific number of shares of our common stock and receive in exchange an appreciation distribution from us in an amount equal to the excess of (i) the fair market value of the shares of common stock as to which

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## Table of Contents

those rights are exercised over (ii) the aggregate exercise price in effect for those shares. The exercise price per share may not be less than the fair market value per share of our common stock on the date the stand-alone stock appreciation right is granted, and the right may not have a term in excess of 10 years.

The appreciation distribution on any exercised tandem or stand-alone stock appreciation right may be paid in (i) cash, (ii) shares of our common stock or (iii) a combination of cash and shares of our common stock. Upon cessation of service, the holder of a stock appreciation right will have a limited period of time in which to exercise such right to the extent exercisable at that time. The plan administrator has discretion to extend the period following the holder's cessation of service during which his or her outstanding stock appreciation rights may be exercised, provide for continued vesting during the applicable post-service exercise period and/or to accelerate the exercisability or vesting of those stock appreciation rights in whole or in part. Such discretion may be exercised at any time while the stock appreciation right remains outstanding.

*Repricing.* The plan administrator has the discretionary authority to: (i) cancel outstanding options or stock appreciation rights in return for new options or stock appreciation rights with a lower exercise or base price per share, (ii) cancel outstanding options or stock appreciation rights under the 2017 Plan with exercise or base prices per share in excess of the then current fair market value per share for consideration payable in cash or in equity securities, and (iii) reduce the exercise or base price in effect for outstanding options or stock appreciation rights.

*Stock Awards and Restricted Stock Units.* Shares may be issued under the 2017 Plan subject to performance or service vesting requirements established by the plan administrator. Shares may also be issued as a fully-vested bonus for past services without any cash outlay required of the recipient.

Shares of our common stock may also be issued under the 2017 Plan pursuant to restricted stock units which entitle the recipients to receive those shares upon the attainment of designated performance goals or the completion of a prescribed service period or upon the expiration of a designated time period following the vesting of those units, including (without limitation), a deferred distribution date following the termination of the recipient's service with us. Restricted stock units subject to performance vesting may be structured so that the award converts into shares of our common stock at a rate based on the attainment level of performance for each performance objective.

Outstanding stock awards will be forfeited and restricted stock units will automatically terminate if the performance goals or service requirements established for such awards are not attained. However, the plan administrator will have the discretionary authority to vest or make payments in satisfaction of one or more outstanding awards as to which the designated performance goals or service requirements are not attained.

Restricted stock units may be settled in cash, shares of our common stock or a combination of both, as determined by the plan administrator. Dividend equivalents may be paid or credited, whether in cash or in actual or phantom shares of our common stock, on outstanding restricted stock units, upon such terms and conditions as determined by the plan administrator.

*Automatic Grant Program.* Participation in the automatic option grant program is limited to (i) each individual serving as a non-employee Board member on the date of this offering and (ii) any individual who first becomes a non-employee Board member after such date.

Awards under the automatic grant program will be made as follows:

- Each individual who (i) was serving as a non-employee Board member at the time of our initial public offering, and (ii) had not previously been in the employ of our company (or any parent or subsidiary), was automatically granted an award of restricted stock units with a grant date fair value equal to \$75,000 (such grant to be referred to as an IPO Grant).

## Table of Contents

- Each individual who is first elected or appointed as a non-employee Board member at any time after our initial public offering but other than at a regular annual stockholders meeting will automatically be granted, on the date of such initial election or appointment, an award with a grant date fair value equal to a prorated portion of (i) the applicable annual amount for the “Annual Grant” (as defined below) made at the immediately preceding annual stockholders meeting, or (ii) if elected or appointed prior to the 2018 annual meeting, the amount of the IPO Grant, provided such individual has not previously been in the employ of our company (such grant to be referred to as an Initial Grant).
- On the date of each annual meeting of our stockholders, beginning with the 2018 annual meeting, each individual who is to continue to serve as a non-employee Board member, whether or not that individual is standing for re-election to the Board at that particular annual meeting, will automatically be granted an award with a grant date fair value equal to the applicable annual amount (such grant is to be referred to as an Annual Grant). The applicable annual amount will be determined by the compensation committee on or before the date of the Annual Grant, but in no event will exceed \$150,000 per non-employee board member.
- The Compensation Committee will, on or before the applicable award date, determine the form of each Initial Grant or Annual Grant and may, accordingly, structure each such grant as a stock option or restricted stock unit award or any combination thereof. The value of an option share will be equal to the fair value of an option share as estimated on the date of grant under a valuation model approved by the Financial Accounting Standards Board for purposes of our company’s financial statements under FAS 123 (or any successor provision) and the value of a restricted stock unit will be equal to the “fair market value”, as defined in the 2017 Plan, per share of common stock on the date of grant.
- The shares subject to each IPO Grant, Initial Grant and Annual Grant will vest upon the earlier of (i) thenon-employee Board member’s completion of one year of Board service measured from the grant date or (ii) his or her continued Board service through the day immediately preceding the date of the first annual stockholders meeting following such grant date. However, the shares underlying each IPO Grant, Initial Grant and Annual Grant will immediately vest in full upon the cessation of the non-employee Board member’s services due to death or disability while a Board member or immediately prior to certain changes in ownership or control during his or her period of Board service.
- The shares underlying each restricted unit award made under the automatic grant program will be issued as those shares vest. However one or more non-employee Board members may be allowed to defer, in accordance with applicable laws and regulations, the issuance of the vested shares to a designated date or until cessation of Board service or an earlier change in control. Each restricted stock unit awarded under the automatic grant program will include a dividend equivalent right, which will be payable to the non-employee Board member at the same time as the shares underlying that unit.

*Change in Control.* In the event we experience a change in control, each outstanding award may be (i) assumed by the successor corporation (or parent thereof), (ii) canceled and substituted with an award granted by the successor corporation (or parent thereof), (iii) otherwise continued in effect pursuant to the terms of the change in control transaction or (iv) replaced with a cash incentive program that preserves the intrinsic value of the award and provides for the subsequent vesting and payout of that value in accordance with the same vesting schedule in effect for that award. In the absence of such assumption, continuation or replacement of the award, the award will automatically vest in full immediately prior to the change in control. The plan administrator will have discretion to grant one or more awards which will vest upon a change in control or in the event the individual’s service with us or the successor entity terminates within a designated period following a change in control transaction.

Each award outstanding under the automatic grant program will automatically vest in full on an accelerated basis immediately prior to the change in control regardless of whether such award has been assumed or otherwise continued in effect in connection with the change in control.

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## Table of Contents

Unless the definition of change in control is otherwise set forth in an individual award agreement, a “change in control” will be deemed to occur in the event of our change in ownership or control due to the following: (i) a merger, consolidation or other reorganization approved by our stockholders, unless securities representing more than 50% of the total combined voting power of the successor corporation are immediately thereafter beneficially owned, and in substantially the same proportion, by the persons who beneficially owned our company’s outstanding voting securities immediately prior to such transaction; (ii) a stockholder-approved sale, transfer or other disposition of all or substantially all of our company’s assets in liquidation or dissolution of our company; (iii) the acquisition by a person or group of the beneficial ownership of securities possessing more than 50% of the total voting power of our company’s securities pursuant to a tender or exchange offer made directly to our company’s stockholders; or (iv) the composition of our Board changes over a period of 12 consecutive months or less such that a majority of the Board ceases to be comprised of individuals who either (a) have been Board members continuously since the beginning of such period, or (b) have been elected or nominated for election as Board members during such period by at least a majority of the Board members described in clause (a) who were still in office at the time the Board approved such election or nomination.

*Recapitalization.* In the event any change is made to the outstanding shares of our common stock by reason of any stock split, stock dividend, recapitalization, combination of shares, exchange of shares, spin-off transaction or other change affecting the outstanding common stock as a class without our receipt of consideration or should the value of our outstanding shares of common stock be substantially reduced by reason of a spin-off transaction or extraordinary dividend or distribution, or should there occur any merger, consolidation, reincorporation or other reorganization, then equitable adjustments will be made by the plan administrator to: (i) the maximum number and/or class of securities issuable under the 2017 Plan; (ii) the maximum number and/or class of securities by which the share reserve is to increase each calendar year pursuant to the automatic share increase provisions of the 2017 Plan; (iii) the maximum number and/or class of securities for which any one person may be granted stock options or stand-alone stock appreciation rights that are settled in shares under the 2017 Plan in any fiscal year; (iv) the maximum number and/or class of securities for which any one person may be granted awards (other than stock options or stand-alone stock appreciation rights that are settled in shares) under the 2017 Plan in any fiscal year; (v) the maximum number and/or class of securities that may be issued pursuant to incentive stock options; (vi) the number and/or class of securities and the exercise or base price per share in effect under each outstanding award under the 2017 Plan, including under the automatic grant program, and the consideration (if any) payable per share; and (vii) the number and/or class of securities subject to outstanding repurchase rights under the 2017 Plan and repurchase price payable per share. Such adjustments will be made in such manner as the plan administrator deems appropriate, and such adjustments will be final, binding and conclusive.

*Transferability and Stockholder Rights.* Awards are generally not transferable and may only be exercised by the participant. No participant will have any stockholder rights with respect to any award until such award is exercised or vests and the underlying shares are issued.

*Amendment and Termination.* Our Board may amend or modify the 2017 Plan at any time subject to any stockholder approval required under applicable law or regulation or pursuant to the listing standards of the stock exchange on which our common stock is at the time primarily traded.

Unless sooner terminated by our Board, the 2017 Plan will terminate on the earliest of (i) May 10, 2027, (ii) the date on which all shares available for issuance under the 2017 Plan have been issued as fully vested shares, or (iii) the termination of all outstanding awards in connection with certain changes in control or ownership.

### ***Employee Stock Purchase Plan***

In April 2017, our Board and stockholders approved and adopted the ESPP, which became effective in May 2017.

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## Table of Contents

*Qualified Plan.* We have adopted the ESPP in order to enable eligible employees to purchase shares of our common stock at a discount. The ESPP is intended to qualify as an employee stock purchase plan under Section 423 of the Code.

*Authorized Shares.* We have initially reserved 1,000,000 shares of our common stock for issuance under the ESPP. The share reserve will increase automatically on the first trading day of January each calendar year, beginning with calendar year 2018, by an amount equal to 1% of the total number of shares of common stock outstanding on the last trading day in December of the immediately preceding calendar year, up to an annual maximum of 250,000 shares.

*Plan Administration.* The Compensation Committee of our Board administers the ESPP. The term “plan administrator,” as used in this summary, means our Compensation Committee to the extent it is acting within the scope of its administrative authority under the ESPP.

*Eligible Participants.* Our employees (and those of participating affiliates) who are regularly expected to work more than 20 hours per week for more than five months per calendar year are eligible to participate in the ESPP. However, the plan administrator may waive one or both of these service requirements prior to the start of the applicable offering period.

*Payroll Deductions.* Under the ESPP, eligible employees are able to acquire shares of our common stock by accumulating funds through payroll deductions. Eligible employees are able to select a rate of payroll deduction between 1% and 15% of their eligible compensation, unless the plan administrator establishes a different maximum percentage prior to the start date of the applicable offering period.

*Offering Periods.* The ESPP is implemented through a series of offering periods under which participating employees will automatically be granted a nontransferable purchase right to purchase shares of our common stock in that offering period using their accumulated payroll deductions. Each individual who is an eligible employee on the start date of an offering period under the ESPP may enter that offering period only on such start date. The first offering period under the ESPP commenced on the date of our initial public offering, and will continue until July 31, 2019. Purchases will occur at the end of each six month period within the offering period, unless determined otherwise by the plan administrator prior to the start of the applicable offering period (the purchase interval). Our Compensation Committee has the discretion to change the commencement date of each offering period. In no event may an offering period exceed 27 months. An employee’s participation automatically ends upon termination of employment for any reason.

*Limitation on Purchase.* Unless the plan administrator determines otherwise prior to the start date of the applicable offering period, and subject to the limitations described below, each purchase right granted for an offering period will provide the participant with the right to purchase up to 1,000 shares of common stock on each purchase date within that offering period.

Under no circumstances will purchase rights be granted under the ESPP to any eligible employee if such individual would, immediately after the grant, own or hold outstanding options or other rights to purchase, stock possessing 5% or more of the total combined voting power or value of all classes of stock of our company or any parent or subsidiary.

In addition, the maximum number of shares purchasable in total by all participants on any one purchase date will not exceed 200,000 shares.

However, the plan administrator has the authority, prior to the start of any offering period, to increase or decrease the limitations to be in effect for the number of shares purchasable per participant.

*Accrual Limitations.* No participant will have the right to purchase shares of our common stock in an amount that, when aggregated with the shares subject to purchase rights under all our employee stock purchase

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## Table of Contents

plans that are also in effect in the same calendar year, have a fair market value of more than \$25,000, determined as of the first day of the applicable offering period.

*Purchase Price.* The purchase price for shares of our common stock purchased under the ESPP will be established by the plan administrator prior to the start of the offering period, but will not be less than 85% of the lower of the fair market value of our common stock on (i) the date the eligible employee enters an offering period and (ii) the purchase date.

*Adjustment.* If there is any change to our common stock by reason of any stock split, stock dividend, recapitalization, combination of shares, reincorporation, exchange of shares, spin-off transaction or other change in affecting our outstanding common stock without our receipt of consideration, or should the value of outstanding shares be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, then the plan administrator will equitably adjust (i) the maximum number and class of securities issuable under the ESPP, (ii) the maximum number and/or class of securities by which the share reserve is to increase each calendar year pursuant to the automatic share increase provisions of the ESPP, (iii) the maximum number and class of securities purchasable per participant during any offering period and on any one purchase date during that offering period, (iv) the maximum number and class of securities purchasable in total by all participants under the ESPP on any one purchase date and (v) the number and class of securities and the price per share in effect under each outstanding purchase right. The adjustments will be made in such manner as the plan administrator deems appropriate, and such adjustments will be final, binding and conclusive.

*Change in Control.* If we experience a change in control (as defined in the ESPP), each outstanding purchase right will automatically be exercised, immediately prior to the effective date of the change in control. However, the applicable limitation on the number of shares of common stock purchasable per participant will continue to apply to any such purchase, but not the limitation applicable to the maximum number of shares of common stock purchasable in total by all participants.

*Amendment; Termination.* Unless it is terminated earlier by our Board, the ESPP will terminate on the earliest of (i) April 30, 2027, (ii) the date on which all shares available for issuance under the ESPP have been sold pursuant to purchase rights exercised under the ESPP or (iii) the date on which all purchase rights are exercised in connection with a change in control.

Our Board may amend, suspend or terminate the ESPP at any time, subject to any stockholder approval required under applicable law.

### **Director Compensation**

We did not provide any compensation to our nonemployee directors for their service on our Board during 2015 or 2016. Our Named Executive Officers who also served on our Board did not receive any additional compensation for their Board service during 2015 or 2016.

In August 2017, our Board adopted a nonemployee director compensation program, or the Program. The Program included an automatic grant program that had been approved by the Board in April 2017. The Program is comprised of the following components:

- *Initial RSU Award:* at the time of our initial public offering, each nonemployee director was granted 5,000 restricted stock units under our 2017 Plan, which was determined by dividing \$75,000 by \$15.00, our initial public offering price per share;
- *Annual RSU Award:* on the date of each annual meeting of our stockholders commencing with our 2018 Annual Meeting, each director will be granted a number of restricted stock units under our 2017 Plan determined by dividing \$75,000 by the average closing price of our common stock for the 10 trading days preceding the grant date, which restricted stock units will vest on the first anniversary of the grant date;

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## Table of Contents

- *Committee Fees:* on an annual basis, each nonemployee director will receive an annual cash retainer for serving as a member of our Audit Committee, our Compensation Committee, or our Corporate Governance and Nominating Committee, in the amount of \$7,500, \$5,000, and \$2,500, respectively. In addition, each nonemployee director serving as Chairman of our Audit Committee, Chairman of our Compensation Committee, or Chairman of our Corporate Governance and Nominating Committee, will receive an additional annual cash retainer of \$7,500, \$5,000 and \$2,500, respectively; and
- *Reimbursement of Expenses:* directors will be reimbursed for expenses incurred in attending Board and/or committee meetings or in connection with other business activities on behalf of our company. All such expenses shall be in accordance with our travel and expense reimbursement policy.

## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The following is a description of transactions since January 1, 2014 to which we have been a party in which the amount involved exceeds \$120,000 and in which any of our directors, executive officers or beneficial holders of more than 5% of our common stock, or an affiliate or immediate family member thereof, had or will have a direct or indirect material interest. Each agreement described below is filed as an exhibit to the registration statement of which this prospectus forms a part, and the following descriptions are qualified by reference to such agreements. Compensation arrangements for our directors and named executive officers are described in this prospectus under the section entitled “Executive Compensation.”

### Investment by Acacia Research Corporation

On August 15, 2016, or the Issuance Date, we entered into the Investment Agreement with Acacia that provides for Acacia to invest up to \$50 million in our company, consisting of both debt and equity components. Pursuant to the Investment Agreement, we entered into (i) the Acacia Note, and (ii) the Primary Warrant. In conjunction with the Second Loan in November 2016, we issued to Acacia two additional four-year warrants, each to purchase a number of shares of our common stock determined by dividing \$0.7 million by an exercise price per share ranging from \$8.0833 to \$13.7323, with the actual exercise price to be determined by the type and/or valuation of our future equity financings. In March 2017, we amended the Primary Warrant and these warrants to provide that the Primary Warrant would be automatically exercised in full upon the closing of our initial public offering, and the exercise prices per share of all of the warrants held by Acacia would be the lower of \$13.6088 or our initial public offering price. As a result, upon completion of our initial public offering, each of these warrants became exercisable to purchase 51,437 shares of common stock, or an aggregate of 154,311 shares of common stock, at an exercise price of \$13.6088 per share.

In connection with our initial public offering in May 2017, pursuant to which we issued 2,500,000 shares of our common stock at a price to the public of \$15.00 per share, (i) all outstanding amounts of principal and accrued interest under the Acacia Note was converted into 1,523,746 shares of our common stock at a conversion price of \$13.6088 per share, and (ii) the Primary Warrant was automatically exercised to purchase 2,150,335 shares of our common stock at an exercise price of \$13.6088 per share for cash proceeds of \$29.3 million.

Upon the exercise of the Primary Warrant in full, we issued to Acacia a warrant pursuant to which Acacia has the right to purchase 809,400 shares of common stock at an exercise price of \$13.6088 per share, or the 10% Warrant. The 10% Warrant became exercisable by Acacia with respect to 50% of the shares as of its issuance date, and will become exercisable to purchase the remaining 50% of the shares in May 2018. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Acacia Investment.”

In August 2016, we entered into a two-year services agreement with Acacia whereby, upon our request from time to time, Acacia has agreed to provide us with support services and other assistance as we may reasonably request in connection with the acquisition, prosecution and development of our patent portfolio, the protection of our patented inventions from unauthorized use, the generation of licensing revenue from users of our patented technologies and the enforcement of our patent rights. The fees for such services will be mutually agreed upon by Acacia and us, subject to certain allocations set forth in the services agreement. To date, no such services have been provided to us, nor have any fees been charged, under such services agreement.

### Secured Convertible Note Financing

In March 2017, we entered into the Note Purchase Agreement with Acacia and VLOC, together we refer to as the Lenders, which provided an \$8.0 million line of credit pursuant to the Bridge Notes. The Bridge Notes provided for interest at the rate of 8% per year, compounded quarterly, from the date of issuance and were due and payable on November 25, 2017. Our obligations under such Bridge Notes were secured by a security interest in substantially all of our assets, which was of equal priority to the security interests of Acacia under the Acacia Note.



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## Table of Contents

In March and April 2017, we borrowed \$2.0 million from each of the Lenders pursuant to the Bridge Notes and each of them exercised their option to advance the remaining \$2.0 million available under each respective Bridge Note in accordance with their terms.

Upon completion of our initial public offering, all outstanding principal under the Bridge Notes, together with all interest accrued on the Bridge Notes through the date of conversion, was automatically converted into an aggregate of 590,717 shares of our common stock at a conversion price of \$13.6088 per share.

In connection with the Bridge Loan, we issued an aggregate of 120,000 shares of our common stock to the Lenders upon the execution of the Note Purchase Agreement. In addition, in connection with the funding of the \$8.0 million principal amount of the Bridge Loan, we issued to the Lenders an aggregate of 180,000 shares of our common stock and warrants to purchase an aggregate of 240,000 shares of our common stock. Such warrants were automatically adjusted upon completion of the initial public offering to be exercisable to purchase an aggregate of 313,440 shares of our common stock (representing 1.5% of our fully-diluted shares outstanding immediately following completion of our initial public offering) at an exercise price of \$13.6088 per share, and have terms of ten years following the date of issuance.

Pursuant to the Note Purchase Agreement, until March 2019, whenever we propose to register any of our securities under the rules and regulations of the SEC, other than with respect to a registration related to employee benefit or similar plans, corporate reorganizations or other transactions under Rule 145 under the Securities Act, a registration of securities pursuant to the Investor Rights Agreement (described below), or any other registration that does not permit secondary sales, Acacia and VLOC, as holders of registrable (i) shares of our common stock issued under the Note Purchase Agreement, (ii) warrants issued pursuant to the Note Purchase Agreement, and the shares of our common stock issued pursuant to the exercise of such warrants and (iii) shares of our common stock issued upon conversion of the outstanding principal and accrued interest under the Bridge Notes, are entitled to notice of the registration and have the right to include their registrable securities in such registration. The underwriters of any underwritten offering will have the right to limit the number of shares having registration rights to be included in the registration statement, including the right to exclude all such stockholder shares from this offering.

The members of VLOC include entities controlled by Chad Steelberg and Ryan Steelberg, two of our executive officers, who are also directors and indirect stockholders of our company, or the Founders, which own 50% of the membership interests in VLOC, and certain other holders of our common stock (who previously held shares of our preferred stock that were converted in full in connection with our initial public offering). Jeff Gehl, one of our directors, is the Manager of VLOC and is deemed to beneficially own all of the securities held by VLOC.

### **Acquisition of ROIM, Inc. and NextMedium, LLC**

In July 2014, we acquired ROIM and NM through a series of transactions between entities where common control existed, as described below. ROIM was renamed “Veritone Media, Inc.” and was subsequently renamed “Veritone One, Inc.” in January 2017. NM was subsequently renamed “Veritone, LLC.” ROIM and NM are now wholly-owned subsidiaries of our company.

On June 17, 2014, RAC was incorporated as a transitory entity for the purpose of acquiring the assets of ROIM. The stockholders of RAC included Newport Coast Investments, LLC, or Newport, a California limited liability company, beneficially owned and controlled by the Founders. At the time of the transactions, Newport held approximately 66.6% of the voting power of RAC.

On July 14, 2014, RAC entered into the ROIM Agreement with BAT, an entity a majority of which was beneficially owned and controlled by the Founders at the time of the transaction. Pursuant to the ROIM Agreement, RAC purchased the BAT IP and all of the outstanding shares of capital stock of ROIM from BAT in exchange for 2,161,938 shares of RAC’s Class B common stock and the BAT Note.

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## Table of Contents

In connection with the ROIM Agreement, RAC also assumed the following promissory notes: (i) the NCI Notes payable to Newport, (ii) the BALLC Notes payable to BALLC, and (iii) the BAT Bridge Notes. On July 15, 2014, prior to the RAC Merger, described below, the BAT Noteholders exchanged the BAT Bridge Notes for the issuance of an aggregate of 1,038,066 shares of Class B common stock of RAC.

Also on July 15, 2014, we and each of the stockholders of RAC entered into an Agreement and Plan of Merger, pursuant to which RAC was merged with and into our company, with us as the surviving company, or the RAC Merger. In connection with the RAC Merger, all of the outstanding capital stock of RAC was converted into an aggregate of 800,000 shares of our common stock and 2,666,667 shares of our Series A-1 preferred stock. The Newport Notes, the BALLC Notes and the BAT Note were assumed by us in connection with the RAC Merger, and were repaid in full in July 2014.

On July 15, 2014, we and the members of NM, including Newport and Steel Holdings, LLC (both of which were beneficially owned and controlled by the Founders) entered into a Unit Purchase Agreement, pursuant to which we acquired all of the outstanding membership interests in NM in exchange for the issuance to the members of NM of an aggregate of 900,000 shares of our common stock and 3,000,000 shares of our Series A preferred stock, or the NM Transfer. Newport was the majority owner of NM and the Founders are the beneficial owners of Newport. Therefore, the Founders had indirect control over NM.

The terms of our Series A preferred stock and Series A-1 preferred stock issued in the NM Transfer and RAC Merger were substantially identical except for the adverse treatment of the Series A-1 preferred stock in the event certain indemnification claims were made pursuant to the merger agreement in the RAC Merger. No indemnification claims were made under such merger agreement, and accordingly, all of the outstanding shares of Series A-1 preferred stock were automatically converted into shares of our Series A preferred stock on a one-for-one basis in July 2016. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Acquisition of ROIM, Inc. and NextMedium LLC.”

### **BAT Stock Repurchases**

On April 22, 2015, we entered into an asset purchase agreement with BAT, or the BAT APA, pursuant to which we (i) repurchased and retired an aggregate of 2,215,278 shares of our capital stock, comprised of 511,218 shares of our common stock and 1,704,060 shares of our Series A-1 preferred stock, for a total purchase price of \$1,419,000 and (ii) acquired BAT’s rights under a First Refusal, Offer and Co-Sale Agreement dated July 15, 2014 by and among our company and certain investors and stockholders of our company. The purchases under the BAT APA were made in connection with the then pending bankruptcy proceedings of BAT, and the U.S. bankruptcy court approved the transactions under the BAT APA. In December 2016, the Bankruptcy Court entered an order closing BAT’s bankruptcy proceeding.

### **Common Stock Issuance**

Pursuant to a Stock Issuance Agreement dated April 5, 2016 with NCI, we issued 961,835 shares of our common stock valued at \$1.50 per share to NCI, an entity beneficially owned by the Founders. The shares were issued to the Founders in consideration for services rendered to our company in 2016. Subsequently NCI transferred all of such shares to BV16, LLC, or BV16, which is beneficially owned by NCI and indirectly controlled by the Founders. In connection with this issuance, we entered into a Confidential Settlement and Indemnification Agreement dated March 28, 2016, or the Settlement Agreement, with a stockholder who initially dissented to the issuance of shares to the Founders. Pursuant to the Settlement Agreement, we agreed to issue to such stockholder an aggregate of 106,420 shares of our common stock and paid to such stockholder an amount equal to \$287,582, representing the estimated taxes for the shares to be issued to such stockholder and the reimbursement of certain legal fees. Furthermore, we have agreed to indemnify such stockholder for (i) any and all tax obligations or liabilities incurred in connection with the issuance to such stockholder of the foregoing 106,420 shares of common stock, and (ii) any and all losses, damages, liabilities and costs incurred by such

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## **Table of Contents**

stockholder arising out of the sale by the bankruptcy estate of BAT of the shares of our common stock and Series A-1 preferred stock held by BAT and our subsequent redemption of such shares. Also on April 5, 2016, we entered into a Joinder Agreement with BV16 and NCI, pursuant to which both BV16 and NCI became parties to that certain Right of First Refusal, Offer and Co-Sale Agreement and Voting Agreement executed in July 2014 in connection with our Series B preferred stock financing.

### **Voting Agreement**

In connection with the investment by Acacia in our securities in August 2016, we entered into the Voting Agreement with Acacia and certain stockholders, which we refer to as the Holders, including entities affiliated with the Founders. Pursuant to the Voting Agreement, our Board consists of a total of nine authorized directors. Until May 18, 2019, or the Voting Period, Acacia has the right to nominate three directors to our Board, and the Holders, voting together as a group, have the right to nominate six directors to our Board. The Founders currently beneficially own the majority of the voting shares of capital stock held by the Holders, and accordingly, are able to designate all six of the Holders' director nominees. During the Voting Period, Acacia and the Holders have agreed to vote all of their shares to elect the nine directors nominated by them pursuant to the Voting Agreement. In addition, pursuant to the Voting Agreement, each of Acacia and the Holders has the right to appoint three designees to attend and participate in the meetings of our Board in a non-voting capacity.

In addition, so long as our Board includes three directors designated by Acacia, unless approved by a majority of our Board, including at least one director designated by Acacia, we cannot take any corporate action, and the Holders cannot take any stockholder action, to effect any (i) merger, consolidation or other business combination involving our company, (ii) sale, transfer or other disposition of any capital stock or assets of our company, or (iii) acquisition, license out of the ordinary course of business, or merger or other business combination with a subsidiary of our company, in each case of (i) through (iii), in which the transaction value exceeds \$50 million.

### **Investor Rights Agreement**

We are party to an Investor Rights Agreement, dated as of July 15, 2014, as amended, or the Rights Agreement, entered into by our company and certain of the holders of our Series A preferred stock and Series B preferred Stock (which such shares were converted in full in connection with our initial public offering).

Pursuant to the Rights Agreement, the holders of at least 30% of the following held by the holders of Series A and A-1 preferred stock, and the holders of at least 30% of the following held by the holders of Series B preferred stock: (i) shares of our common stock issued or issuable upon conversion of any of our securities by the parties to such agreement, (ii) common stock issued as a dividend or other distribution with respect to the shares in (i), can request that we file up to two registration statements registering all or a portion of their registrable shares in a registration statement that would have an aggregate offering price of not less than \$5 million. Under specified circumstances, we have the right to defer filing of a requested registration statement. These registration rights are subject to additional conditions and limitations, including the right of the underwriters to limit the number of shares included in any such registration under certain circumstances.

In addition, the holders of at least 20% of the following held by the holders of Series A and A-1 preferred stock, and the holders of at least 20% of the following held by the holders of Series B preferred stock: (i) shares of our common stock issued or issuable upon conversion of any of our securities by the parties to such agreement, (ii) common stock issued as a dividend or other distribution with respect to the shares in (i), have the right to demand that we file additional registration statements, including a shelf registration statement, for such holders on Form S-3. Under specified circumstances, we also have the right to defer filing of a requested registration statement. These registration rights are subject to additional conditions and limitations, including the right of the underwriters to limit the number of shares included in any such registration under certain circumstances, and to our right to decline to effect such registration if two such registrations have been effected.

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## **Table of Contents**

Further, whenever we propose to file a registration statement under the Securities Act, other than with respect to a registration related to employee benefit or similar plans, or corporate reorganizations or other transactions under Rule 145 under the Securities Act, the holders of (i) registrable shares of our common stock issued or issuable upon conversion of any of our securities by the parties to such agreement, (ii) common stock issued as a dividend or other distribution with respect to the shares in (i), are entitled to notice of the registration and have the right to include their registrable securities in such registration. The underwriters of any underwritten offering will have the right to limit the number of shares having registration rights to be included in the registration statement, including the right to exclude all such stockholder shares from this offering.

We are required to pay all expenses relating to any demand, FormS-3 or piggyback registration by the holders of registerable securities under the Rights Agreement, subject to certain limitations. The registration rights described above will expire for each holder at such time (i) such holder holds less than one percent of our common stock and Rule 144 or another similar exemption under the Securities Act is available for the sale of such holder's shares without limitation during a three-month period without registration and (ii) May 2022, the fifth anniversary of our initial public offering.

The parties to the Rights Agreement include NCI, BV16 and Newport, entities that are affiliated with the Founders, as well as entities affiliated with Christopher Oates and Nathaniel Checketts, two of our current directors.

### **Intercompany Administrative Agreement**

On October 1, 2014, we entered into an Intercompany Administrative Service Agreement, or the Intercompany Agreement, with Steel Ventures, LLC, or Steel Ventures, an entity owned and controlled by the Founders. Pursuant to the Intercompany Agreement, Steel Ventures agreed to provide us with certain administrative, professional and technical services and other personnel and support resources for our day-to-day operations, including executive management, financial accounting, investor relations, legal and governance compliance and other services requested by us from time to time. Steel Ventures also agreed to make other services provided by third parties (other than services provided by Steel Ventures' personnel) available to us, including the use of office facilities of Steel Ventures, human resources support and tax and auditing services. Under the agreement, Steel Ventures will bill us for these services, including (i) costs incurred by Steel Ventures, including salary and wages, incentives, payroll taxes, health care and other expenses, and (ii) costs of third party services, including allocable charges based on our fractional use of the third-party resources.

The Intercompany Agreement had a term of two years from October 1, 2014, with two-year renewal options, unless either party provided a 90-day advance notice to terminate the agreement. The Intercompany Agreement was terminated in September 2016. Under the Intercompany Agreement, we recorded expenses for services from Steel Ventures of approximately \$1.1 million and \$1.3 million in the years ended December 31, 2016 and 2015, respectively.

### **Reimbursement of Medical Expenses**

We currently reimburse each of the Founders for the costs of their separate healthcare plans. We reimbursed Chad Steelberg \$30,306 and \$23,733, for the years ended December 31, 2016 and 2015, respectively, for the costs of such plans. We reimbursed Ryan Steelberg \$28,644 and \$10,001 for the years ended December 31, 2016 and 2015, respectively, for the costs of such plans. We reimbursed Chad Steelberg \$22,377 and \$30,306 and Ryan Steelberg \$20,818 and \$28,644 for the nine months ended September 30, 2017 and 2016, respectively, for the cost of such plans.

### **Short-Term Lease**

In January 2017, we entered into an oral lease with Newport. Pursuant to this lease, our company leased additional office space in Newport Beach, California from Newport through June 2017 at a rate of \$10,000 per month. This lease terminated in June 2017.

### **Limitation of Liability and Indemnification**

Our amended and restated certificate of incorporation and our amended and restated bylaws provide that we will indemnify our directors and officers to the fullest extent permitted under Delaware law, which prohibits our amended and restated certificate of incorporation from limiting the liability of our directors for the following:

- any breach of the director's duty of loyalty to us or our stockholders;
- acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law;
- unlawful payment of dividends or unlawful stock repurchases or redemptions; or
- any transaction from which the director derived an improper personal benefit.

Our amended and restated certificate of incorporation also provides that if Delaware law is amended to authorize corporate action further eliminating or limiting the personal liability of a director, then the liability of our directors will be eliminated or limited to the fullest extent permitted by Delaware law, as so amended. This limitation of liability does not apply to liabilities arising under the federal securities laws and does not affect the availability of equitable remedies such as injunctive relief or rescission.

Our amended and restated certificate of incorporation and our amended and restated bylaws also provide that we shall indemnify our employees and agents to the fullest extent permitted by law. Our amended and restated bylaws also permit us to secure insurance on behalf of any officer, director, employee or other agent for any liability arising out of his or her actions in this capacity, regardless of whether we would have the power to indemnify such person against such expense, liability or loss under the General Corporation Law of the State of Delaware. We have obtained directors' and officers' liability insurance.

We have entered into separate indemnification agreements with our directors and executive officers, in addition to indemnification provided for in our amended and restated certificate of incorporation and amended and restated bylaws. These agreements, among other things, provide for indemnification of our directors and executive officers for expenses, judgments, fines and settlement amounts incurred by this person in any action or proceeding arising out of this person's services as a director or executive officer or at our request. We believe that these provisions in our amended and restated certificate of incorporation and amended and restated bylaws and indemnification agreements are necessary to attract and retain qualified persons as directors and executive officers.

The above description of the indemnification provisions of our amended and restated certificate of incorporation and our amended and restated bylaws is not complete and is qualified in its entirety by reference to these documents, each of which is filed as an exhibit to this registration statement to which this prospectus forms a part.

The limitation of liability and indemnification provisions in our amended and restated certificate of incorporation and amended and restated bylaws may discourage stockholders from bringing a lawsuit against directors for breach of their fiduciary duties. They may also reduce the likelihood of derivative litigation against directors and officers, even though an action, if successful, might benefit us and our stockholders. A stockholder's investment may be harmed to the extent we pay the costs of settlement and damage awards against directors and officers pursuant to these indemnification provisions. Insofar as indemnification for liabilities under the Securities Act may be permitted to directors, officers or persons controlling us pursuant to the foregoing provisions, we have been informed that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is therefore unenforceable. There is no pending litigation or proceeding naming any of our directors or officers as to which indemnification is being sought, nor are we aware of any pending or threatened litigation that may result in claims for indemnification by any director or officer.

**Policies and Procedures for Related Party Transactions**

Our Board has adopted a written related person transaction policy, setting forth the policies and procedures for the review and approval or ratification of related person transactions. This policy covers, with certain exceptions set forth in Item 404 of Regulation S-K under the Securities Act, any transaction, arrangement or relationship, or any series of similar transactions, arrangements or relationships, in which we were or are to be a participant, where the amount involved exceeds \$120,000 in any fiscal year and a related person had, has or will have a direct or indirect material interest, including without limitation, purchases of goods or services by or from the related person or entities in which the related person has a material interest, indebtedness, guarantees of indebtedness and employment by us of a related person. In reviewing and approving any such transactions, our Audit Committee is tasked to consider all relevant facts and circumstances, including, but not limited to, whether the transaction is on terms comparable to those that could be obtained in an arm's length transaction and the extent of the related person's interest in the transaction. All of the transactions described in this section occurred prior to the adoption of this policy.

**PRINCIPAL STOCKHOLDERS**

The following table sets forth information, as of October 31, 2017, regarding the beneficial ownership of our common stock after giving effect to this offering, by:

- each person known by us to beneficially own more than 5% of our common stock;
- each of our directors;
- each of our named executive officers; and
- all of our executive officers and directors as a group.

Percentage ownership of our common stock “prior to the offering” in the table is based on an aggregate of 14,956,322 shares of common stock deemed outstanding as of October 31, 2017. Percentage ownership of our common stock “after this offering” in the table is based on 15,756,322 shares of common stock issued and outstanding on October 31, 2017, which gives effect to the issuance of 800,000 shares of common stock in this offering and assumes no exercise of the underwriters’ option to purchase additional shares.

The number of shares beneficially owned by each stockholder is determined under rules issued by the SEC and includes voting or investment power with respect to securities. Under these rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power. In computing the number of shares beneficially owned by an individual or entity and the percentage ownership of that person, shares of common stock subject to options, warrants or other rights held by such person that are currently exercisable or will become exercisable within 60 days of October 31, 2017, are considered outstanding, although these shares are not considered outstanding for purposes of computing the percentage ownership of any other person. Unless otherwise indicated, the address of each of the individuals and entities named below is c/o Veritone, Inc., 575 Anton Boulevard, Suite 900, Costa Mesa, California 92626. Each of the stockholders listed has sole voting and investment power with respect to the shares beneficially owned by the stockholder unless noted otherwise, subject to community property laws where applicable.

<b>Beneficial Owner</b>	<b>Shares Beneficially Owned Prior to the Offering</b>	<b>Percentage Beneficially Owned</b>	
		<b>Before the Offering</b>	<b>After the Offering</b>
<b>Named Executive Officers and Directors:</b>			
Chad Steelberg	5,430,639(1)(3)	34.6%	32.9%
Ryan Steelberg	5,140,930(2)(3)	32.8	31.2
John M. Markovich	65,236	0.4	0.4
Peter F. Collins	33,000(4)	0.2	0.2
Jeffrey B. Coyne	39,000(5)	0.3	0.2
Nathaniel Checketts	12,500(6)	0.1	0.1
Jeff Gehl	611,998(7)	4.0	3.8
G. Louis Graziadio, III	203,430(8)	1.4	1.3
Knute P. Kurtz	—	—	—
Christopher J. Oates	46,259(9)	0.3	0.3
Edward J. Treska	7,000	0.0	0.0
Frank E. Walsh, III	14,500	0.1	0.1
All executive officers and directors as a group (12 persons)	7,222,034(10)	43.5	41.5
<b>5% Stockholders:</b>			
Acacia Research Corporation	4,835,251(3)(11)	30.9	29.4
Newport Coast Investments, LLC	3,355,387(3)	22.4	21.3
BV16, LLC	961,835(3)	6.4	6.1
125 Media Holdings, LLC	876,134(3)	5.9	5.6
Checketts Partners Investment Fund, L.P.	769,714(3)	5.1	4.9

(1) Includes (i) 3,355,387 shares of common stock held by Newport Coast Investments, LLC; (ii) 961,835 shares of common stock held by BV16, LLC; (iii) 298,287 shares of common stock held by Steel Holdings, LLC; (iv) 76,970 shares of common stock held by VIF I, LLC; and (v) 725,568 shares of common stock subject to outstanding options, which are exercisable within 60 days of October 31, 2017. Chad Steelberg’s grantor trust is a managing member of Newport Coast

## Table of Contents

- Investments, LLC. As such, Chad Steelberg, as trustee of his grantor trust, has shared voting and dispositive power over all of the shares held by Newport Coast Investments, LLC. Chad Steelberg is the Manager of both Steel Holdings, LLC and VIF I, LLC, and has sole voting and dispositive power over all of the shares held by Steel Holdings, LLC and VIF I, LLC. Chad Steelberg is the Manager of NCI Investments, LLC (and his grantor trust owns 50% of the membership interests of NCI Investments, LLC), which is the Manager of BV16, LLC. As such, Chad Steelberg has shared voting and dispositive power over all of the shares held by BV16, LLC. Does not include (i) 445,278 shares of common stock held by Veritone LOC I, LLC (VLOC); and (ii) 156,720 shares of common stock subject to outstanding warrants held by VLOC, which are exercisable within 60 days of October 31, 2017. Chad Steelberg's grantor trust owns 50% of the membership interests in Steel Veritone Fund I, LLC, which owns 50% of the membership interests in VLOC; however, Chad Steelberg does not have any voting or dispositive power over any of the shares held by VLOC.
- (2) Consists of (i) 3,355,387 shares of common stock held of record by Newport Coast Investments, LLC; (ii) 961,835 shares of common stock held by BV16, LLC; (iii) 98,140 shares of restricted common stock, of which 40,894 shares were subject to our company's repurchase right as of October 31, 2017; and (iv) 725,568 shares of common stock subject to outstanding options, which are exercisable within 60 days of October 31, 2017. Ryan Steelberg's grantor trust is a managing member of Newport Coast Investments, LLC. As such, Ryan Steelberg, as trustee of his grantor trust, has shared voting and dispositive power over all of the shares held by Newport Coast Investments, LLC. Ryan Steelberg's grantor trust owns 50% of the membership interests of NCI Investments, LLC, which is the Manager of BV16, LLC. As such, Ryan Steelberg may be deemed to have shared voting and dispositive power over the shares held by BV16, LLC. Does not include (i) 445,278 shares of common stock held by VLOC; and (ii) 156,720 shares of common stock subject to outstanding warrants held by VLOC, which are exercisable within 60 days of October 31, 2017. Ryan Steelberg's grantor trust owns 50% of the membership interests in Steel Veritone Fund I, LLC, which owns 50% of the membership interests in VLOC; however, Ryan Steelberg does not have any voting or dispositive power over any of the shares held by VLOC.
  - (3) As a result of the Voting Agreement, Acacia and certain other entities including entities affiliated with our Founders (acting as a group) are able to designate and elect all nine of our directors on our Board until May 17, 2019.
  - (4) Consists of restricted common stock, of which 27,750 shares were subject to our company's repurchase right as of October 31, 2017.
  - (5) Consists of restricted common stock, of which 29,250 shares were subject to our company's repurchase right as of October 31, 2017.
  - (6) Consists solely of common stock subject to outstanding options, which are exercisable within 60 days of October 31, 2017.
  - (7) Includes (i) 445,278 shares of common stock held by VLOC; and (ii) 156,720 shares of common stock subject to outstanding warrants held by VLOC, which are exercisable within 60 days of October 31, 2017. Mr. Gehl is the Manager of VLOC and has sole voting and dispositive power over all of the shares and warrants held by VLOC.
  - (8) Includes 8,200 shares of common stock held by the George & Reva Graziadio Charitable Lead Annuity Trust; 3,300 shares of common stock held by Ginarra Partners, LLC; 16,636 shares of common stock held by Ginmarra Investors Fund 1, LLC; 9,550 shares of common stock held by the George & Reva Graziadio Grandchildren Trust II for the benefit of Mr. Graziadio's minor children; 5,400 shares of common stock held by Mr. Graziadio as custodian for his minor children; and 61,406 shares of common stock held by Boss Holdings, Inc., with respect to which Mr. Graziadio has sole voting and dispositive power. Also includes 10,500 shares of common stock held by the Gina-Carra Partnership; 1,800 shares held by Mr. Graziadio's spouse; and 4,289 shares held by Western Metals Corporation, with respect to which Mr. Graziadio has shared voting and dispositive power. Mr. Graziadio disclaims beneficial ownership of all such shares, except to the extent of his or his minor children's pecuniary interests in such shares. Does not include (i) 131,000 shares of common stock held by the Graziadio Family Trust u/d/t 11/13/75, as Mr. Graziadio does not have any voting or dispositive power over any of such shares, and Mr. Graziadio disclaims beneficial ownership of such shares, except to the extent of the pecuniary interest of his minor children in such shares; and (ii) 2,500 shares of common stock held by the George and Reva Graziadio Foundation, as Mr. Graziadio does not have any voting or dispositive power over any of such shares, and Mr. Graziadio disclaims beneficial ownership of such shares.
  - (9) Consists of (i) 17,500 shares of common stock subject to outstanding options, which are exercisable within 60 days of October 31, 2017; and (ii) 28,759 shares of common stock held by RimLight, LLC. Mr. Oates is a managing director of RimLight, LLC and as such may be deemed to have shared voting and dispositive power over the shares held by RimLight, LLC. Mr. Oates disclaims beneficial ownership of the shares of common stock held by RimLight, LLC., except to the extent of his pecuniary interest in any such shares. Does not include 53,246 shares of common stock beneficially owned by BV16, LLC, which represents the pecuniary interest of NIO Advisors, LLC in BV16, LLC. Mr. Oates is the Managing Member of NIO Advisors, LLC, but does not have any voting or dispositive power over any of the shares held by BV16, LLC.
  - (10) Includes (i) 3,355,387 shares of common stock held by Newport Coast Investments, LLC; (ii) 961,835 shares of common stock held by BV16, LLC; (iii) 76,970 shares of common stock held by VIF I, LLC; (iv) 298,287 shares of common stock held by Steel Holdings, LLC; (v) 28,759 shares of common stock held by RimLight, LLC; (vi) 445,278 shares of common stock held by VLOC; (vii) 156,220 shares of common stock subject to outstanding warrants held by VLOC; (viii) an aggregate of 121,081 shares of common stock held by various affiliates and family members of Mr. Graziadio; (ix) 1,481,136 shares of common stock subject to outstanding options held by the executive officers and directors as a group, which are exercisable within 60 days of October 31, 2017; and (x) 97,894 shares of restricted common stock held by executive officers, which shares were subject to our company's repurchase right as of October 31, 2017.
  - (11) Includes 715,731 shares of common stock issuable upon exercise of Acacia's warrants that are exercisable within 60 days of October 31, 2017.



## DESCRIPTION OF CAPITAL STOCK

The following description of our capital stock and certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws are summaries and are qualified by reference to our amended and restated certificate of incorporation and amended and restated bylaws. Copies of these documents are filed with the SEC as exhibits to the registration statement of which this prospectus forms a part.

### General

Our authorized capital stock consists of 75,000,000 shares of common stock, par value \$0.001 per share, and 1,000,000 shares of undesignated preferred stock, par value \$0.001 per share.

### Common Stock

Upon the completion of this offering, we expect that 15,756,322 shares of common stock, or 15,876,322 shares of common stock if the underwriters exercise their option to purchase additional shares from us in full, will be issued and outstanding.

**Dividend Rights.** Subject to preferences that may apply to any shares of preferred stock outstanding at the time, the holders of our common stock are entitled to receive dividends out of funds legally available if our Board, in its discretion, determines to issue dividends and then only at the times and in the amounts that our Board may determine.

**Voting Rights.** The holders of our common stock are entitled to one vote per share on all matters submitted to a vote of stockholders. We have not provided for cumulative voting for the election of directors in our amended and restated certificate of incorporation. Our amended and restated certificate of incorporation and amended and restated bylaws provide for a classified board of directors consisting of three classes of approximately equal size, each serving staggered three-year terms.

**No Preemptive or Similar Rights.** Our common stock is not entitled to preemptive rights, and is not subject to conversion, redemption or sinking fund provisions.

**Right to Receive Liquidation Distributions.** If we become subject to a liquidation, dissolution or winding-up, the assets legally available for distribution to our stockholders would be distributable ratably among the holders of our common stock and any participating preferred stock outstanding at that time, subject to prior satisfaction of all outstanding debt and liabilities and the preferential rights of and the payment of liquidation preferences, if any, on any outstanding shares of preferred stock.

### Preferred Stock

We currently have 1,000,000 shares of undesignated preferred stock authorized, none of which are outstanding. Under the terms of our amended and restated certificate of incorporation, our Board is authorized to direct us to issue such shares of preferred stock in one or more series without stockholder approval. Our Board has the discretion to determine the rights, preferences, privileges and restrictions, including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences, of each series of preferred stock. The purpose of authorizing our Board to issue preferred stock and determine its rights and preferences is to eliminate delays associated with a stockholder vote on specific issuances. The issuance of preferred stock, while providing flexibility in connection with possible acquisitions, future financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or could discourage a third party from seeking to acquire, a majority of our outstanding voting stock. We have no present plans to issue any shares of preferred stock.

### **Authorized but Unissued Capital Stock**

The authorized but unissued shares of our common stock and our preferred stock are available for future issuance without stockholder approval, subject to any limitations imposed by the NASDAQ Marketplace Rules. These additional shares may be used for a variety of corporate finance transactions, acquisitions and employee benefit plans. The existence of authorized but unissued and unreserved common stock and preferred stock could make more difficult or discourage an attempt to obtain control of us by means of a proxy contest, tender offer, merger or otherwise.

### **Options**

As of September 30, 2017, we had outstanding options to purchase an aggregate of 4,561,942 shares of our common stock, with a weighted average exercise price of \$12.99 per share under our equity compensation plans. Each of such options has a term of 10 years from the grant date.

### **Warrants**

As of September 30, 2017, we had outstanding warrants to purchase an aggregate of 1,524,573 shares of common stock, with a weighted average exercise price per share of \$12.71, consisting of the following: (i) the Acacia 10% Warrant to purchase up to 809,400 shares of common stock at an exercise price of \$13.6088 per share; (ii) three warrants issued to Acacia to purchase an aggregate of up to 154,311 shares of common stock; (iii) an additional performance warrant issued to a third party to purchase up to 247,422 shares of common stock based upon the achievement of certain milestones set forth in such warrant; and (iv) warrants issued pursuant to the Note Purchase Agreement to purchase an aggregate of up to 313,440 shares of common stock. The Acacia 10% Warrant will become exercisable with respect to the balance of the shares in May 2018.

### **Restricted Stock Units**

As of September 30, 2017, we had outstanding 35,576 restricted stock units, each representing the right to receive one share of common stock upon vesting.

### **Demand Registration Rights**

Pursuant to the Rights Agreement, the holders of at least 30% of the following held by the holders of Series A and A-1 preferred stock, and the holders of at least 30% of the following held by the holders of Series B preferred stock: (i) shares of our common stock issued or issuable upon conversion of any of our securities by the parties to such agreement, (ii) common stock issued as a dividend or other distribution with respect to the shares in (i), can request that we file up to two registration statements registering all or a portion of their registrable shares in a registration statement that would have an aggregate offering price of not less than \$5 million. Under specified circumstances, we have the right to defer filing of a requested registration statement. These registration rights are subject to additional conditions and limitations, including the right of the underwriters to limit the number of shares included in any such registration under certain circumstances.

We are required to pay all expenses relating to any demand registration by the holders of registerable securities under the Rights Agreement, subject to certain limitations. The registration rights described above will expire for each holder at such time (i) such holder holds less than one percent of our common stock and Rule 144 or another similar exemption under the Securities Act is available for the sale of such holder's shares without limitation during a three-month period without registration and (ii) May 2022, the fifth anniversary of our initial public offering.

### **Form S-3 Registration Rights**

Pursuant to the Rights Agreement, the holders of at least 20% of the following held by the holders of Series A and A-1 preferred stock, and the holders of at least 20% of the following held by the holders of Series B preferred stock: (i) shares of our common stock issued or issuable upon conversion of any of our securities by the

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## Table of Contents

parties to such agreement, (ii) common stock issued as a dividend or other distribution with respect to the shares in (i), have the right to demand that we file additional registration statements, including a shelf registration statement, for such holders on Form S-3. Under specified circumstances, we also have the right to defer filing of a requested registration statement. These registration rights are subject to additional conditions and limitations, including the right of the underwriters to limit the number of shares included in any such registration under certain circumstances, and to our right to decline to effect such registration if two such registrations have been effected.

We are required to pay all expenses relating to any FormS-3 registration by the holders of registerable securities under the Rights Agreement, subject to certain limitations. The registration rights described above will expire for each holder at such time (i) such holder holds less than one percent of our common stock and Rule 144 or another similar exemption under the Securities Act is available for the sale of such holder's shares without limitation during a three-month period without registration and (ii) May 2022, the fifth anniversary of our initial public offering.

### **Piggyback Registration Rights**

Pursuant to the Note Purchase Agreement, until March 2019, whenever we propose to register any of our securities under the rules and regulations of the SEC, other than with respect to a registration related to employee benefit or similar plans, corporate reorganizations or other transactions under Rule 145 under the Securities Act, a registration of securities pursuant to the Rights Agreement, or any other registration that does not permit secondary sales, Acacia and VLOC, as holders of registrable (i) shares of our common stock issued under the Note Purchase Agreement, (ii) warrants issued pursuant to the Note Purchase Agreement, and the shares of our common stock issued pursuant to the exercise of such warrants and (iii) shares of our common stock issued upon conversion of the outstanding principal and accrued interest under the Bridge Notes, are entitled to notice of the registration and have the right to include their registrable securities in such registration. The underwriters of any underwritten offering will have the right to limit the number of shares having registration rights to be included in the registration statement, including the right to exclude all such stockholder shares from this offering.

Pursuant to the Rights Agreement, whenever we propose to file a registration statement under the Securities Act, other than with respect to a registration related to employee benefit or similar plans, or corporate reorganizations or other transactions under Rule 145 under the Securities Act, the holders of registrable (i) shares of our common stock issued or issuable upon conversion of any of our securities by the parties to such agreement, (ii) common stock issued as a dividend or other distribution with respect to the shares in (i), are entitled to notice of the registration and have the right to include their registrable securities in such registration. The underwriters of any underwritten offering will have the right to limit the number of shares having registration rights to be included in the registration statement, including the right to exclude all such stockholder shares from this offering.

We are required to pay all expenses relating to any piggyback registration by the holders of registerable securities under the Rights Agreement, subject to certain limitations. The registration rights described above will expire for each holder at such time (i) such holder holds less than one percent of our common stock and Rule 144 or another similar exemption under the Securities Act is available for the sale of such holder's shares without limitation during a three-month period without registration and (ii) May 2022, the fifth anniversary of our initial public offering.

### **Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws**

Our amended and restated certificate of incorporation and our amended and restated bylaws include a number of provisions that could deter hostile takeovers or delay or prevent changes in control of our company, as well as changes in our Board or management team, including the following:

**Board of Directors Vacancies.** Our amended and restated certificate of incorporation and amended and restated bylaws authorize only our Board to fill vacant directorships, including newly created seats. In addition,

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## Table of Contents

the number of directors constituting our Board is only permitted to be set by a resolution adopted by a majority vote of our entire Board. These provisions prevent a stockholder from increasing the size of our Board and then gaining control of our Board by filling the resulting vacancies with its own nominees. This makes it more difficult to change the composition of our Board and will promote continuity of management.

**Classified Board.** Our amended and restated certificate of incorporation and amended and restated bylaws provide that our Board shall be classified into three classes of directors, each of which hold office for a three-year term. In addition, directors may only be removed from the Board for cause. The existence of a classified board could delay a potential acquirer from obtaining majority control of our Board, and the prospect of that delay might deter a potential acquirer.

**Stockholder Action; Special Meeting of Stockholders.** Our amended and restated certificate of incorporation provides that our stockholders may not take action by written consent, but may only take action at annual or special meetings of our stockholders. As a result, a holder controlling a majority of our capital stock would not be able to amend our amended and restated bylaws or remove directors without holding a meeting of our stockholders called in accordance with our amended and restated bylaws. Our amended and restated bylaws further provide that special meetings of our stockholders may be called only by a majority of our Board, thus prohibiting a stockholder from calling a special meeting. These provisions might delay the ability of our stockholders to force consideration of a proposal or for stockholders controlling a majority of our capital stock to take any action, including the removal of directors.

**Advance Notice Requirements for Stockholder Proposals and Director Nominations.** Our amended and restated bylaws provide advance notice procedures for stockholders seeking to bring business before our annual meeting of stockholders or to nominate candidates for election as directors at our annual meeting of stockholders. Our amended and restated bylaws also specify certain requirements regarding the form and content of a stockholder's notice. These provisions might preclude our stockholders from bringing matters before our annual meeting of stockholders or from making nominations for directors at our annual meeting of stockholders if the proper procedures are not followed. We expect that these provisions may also discourage or deter a potential acquirer from conducting a solicitation of proxies to elect the acquirer's own slate of directors or otherwise attempting to obtain control of our company.

**No Cumulative Voting.** The Delaware General Corporation Law provides that stockholders are not entitled to cumulate votes in the election of directors unless a corporation's certificate of incorporation provides otherwise. Our amended and restated certificate of incorporation does not provide for cumulative voting.

**Directors Removed Only for Cause.** Our amended and restated certificate of incorporation provides that no member of our Board may be removed from office by our stockholders except for cause and, in addition to any other vote required by law, upon the approval of not less than two-thirds of the total voting power of all of our outstanding voting stock then entitled to vote in the election of directors.

**Exclusive Venue.** Our amended and restated certificate of incorporation provides that, unless we consent in writing to the selection of an alternative forum, the Court of Chancery of the State of Delaware shall be the sole and exclusive forum for: (i) any derivative action or proceeding brought on behalf of us; (ii) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees or agents to us or our stockholders; (iii) any action asserting a claim against us arising pursuant to any provision of the Delaware General Corporation Law or our amended and restated certificate of incorporation or amended and restated bylaws; or (iv) any action asserting a claim against us governed by the internal affairs doctrine. The enforceability of similar choice of forum provisions in other companies' certificates of incorporation has been challenged in legal proceedings, and it is possible that, in connection with any action, a court could find the choice of forum provisions contained in our amended and restated certificate of incorporation to be inapplicable or unenforceable in such action.

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## Table of Contents

Each of the foregoing provisions will make it more difficult for our existing stockholders to replace our Board as well as for another party to obtain control of our company by replacing our Board. Since our Board has the power to retain and discharge our officers, these provisions could also make it more difficult for existing stockholders or another party to effect a change in management. In addition, the authorization of undesignated preferred stock makes it possible for our Board to issue preferred stock with voting or other rights or preferences that could impede the success of any attempt to change the control of our company.

These provisions are intended to enhance the likelihood of continued stability in the composition of our Board and its policies and to discourage certain types of transactions that may involve an actual or threatened acquisition of our company. These provisions are also designed to reduce our vulnerability to an unsolicited acquisition proposal and to discourage certain tactics that may be used in proxy rights. However, these provisions could have the effect of discouraging others from making tender offers for our shares and may have the effect of deterring hostile takeovers or delaying changes in control of our company or our management. As a consequence, these provisions also may inhibit fluctuations in the market price of our stock that could result from actual or rumored takeover attempts.

### **Section 203 of the Delaware General Corporation Law**

We are subject to Section 203 of the Delaware General Corporation Law, which prohibits a Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years after the date that such stockholder became an interested stockholder, with the following exceptions:

- before such date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon closing of the transaction that resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction began, excluding for purposes of determining the voting stock outstanding (but not the outstanding voting stock owned by the interested stockholder) those shares owned by (1) persons who are directors and also officers and (2) employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or after such date, the business combination is approved by the board of directors and authorized at an annual or special meeting of the stockholders, and not by written consent, by the affirmative vote of at least 66 2/3% of the outstanding voting stock that is not owned by the interested stockholder.

In general, Section 203 defines “business combination” to include the following:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, lease, exchange, mortgage, transfer, pledge or other disposition of 10% or more of the assets of the corporation involving the interested stockholder;
- subject to certain exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- any transaction involving the corporation that has the effect of increasing the proportionate share of the stock or any class or series of the corporation beneficially owned by the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loss, advances, guarantees, pledges or other financial benefits by or through the corporation.

In general, Section 203 defines an “interested stockholder” as an entity or person who, together with the person’s affiliates and associates, beneficially owns, or within three years prior to the time of determination of interested stockholder status did own, 15% or more of the outstanding voting stock of the corporation.

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[Table of Contents](#)

**Limitations on Liability and Indemnification**

See the section of this prospectus titled “Certain Relationships and Related Party Transactions—Limitation of Liability and Indemnification.”

**Listing**

Our common stock is listed on The NASDAQ Global Market under the symbol “VERI.”

**Transfer Agent and Registrar**

The transfer agent and registrar for our common stock is Computershare Trust Company, N.A.

## MATERIAL U.S. FEDERAL INCOME TAX CONSEQUENCES TO NON-U.S. HOLDERS

The following discussion is a summary of the material U.S. federal income tax consequences to Non-U.S. Holders (as defined below) of the purchase, ownership and disposition of our common stock issued pursuant to this offering, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local or non-U.S. tax laws are not discussed. This discussion is based on the Code, Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the U.S. Internal Revenue Service (the IRS), in each case in effect as of the date hereof. These authorities may change or be subject to differing interpretations. Any such change or differing interpretation may be applied retroactively in a manner that could adversely affect a Non-U.S. Holder of our common stock. We have not sought and will not seek any rulings from the IRS regarding the matters discussed below. There can be no assurance that the IRS or a court will not take a contrary position to that discussed below regarding the tax consequences of the purchase, ownership and disposition of our common stock.

This discussion is limited to Non-U.S. Holders that hold our common stock as a “capital asset” within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to a Non-U.S. Holder’s particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to Non-U.S. Holders subject to special rules, including, without limitation:

- U.S. expatriates and former citizens or long-term residents of the United States;
- persons subject to the alternative minimum tax;
- persons holding our common stock as part of a hedge, straddle or other risk reduction strategy or as part of a conversion transaction or other integrated investment;
- banks, insurance companies and other financial institutions;
- brokers, dealers or traders in securities;
- “controlled foreign corporations,” “passive foreign investment companies” and corporations that accumulate earnings to avoid U.S. federal income tax;
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein);
- tax-exempt organizations or governmental organizations;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation; and
- tax-qualified retirement plans.

If an entity treated as a partnership for U.S. federal income tax purposes holds our common stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership and certain determinations made at the partner level. Accordingly, partnerships holding our common stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

**THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND/**

**OR DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.**

**Definition of a Non-U.S. Holder**

For purposes of this discussion, a “Non-U.S. Holder” is any beneficial owner of our common stock that is neither a “U.S. person” nor an entity treated as a partnership for U.S. federal income tax purposes. A U.S. person is any person that, for U.S. federal income tax purposes, is or is treated as any of the following:

- an individual who is a citizen or resident of the United States;
- a corporation (or an entity treated as a corporation for U.S. federal income tax purposes) created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and the control of one or more “United States persons” (within the meaning of Section 7701(a)(30) of the Code), or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

**Distributions**

As described in the section entitled “Dividend Policy,” we do not anticipate declaring or paying dividends to holders of our common stock in the foreseeable future. However, if we do make distributions of cash or property on our common stock, such distributions will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. Amounts not treated as dividends for U.S. federal income tax purposes will constitute a return of capital and first be applied against and reduce a Non-U.S. Holder’s adjusted tax basis in its common stock, but not below zero. Any excess will be treated as capital gain and will be treated as described below under “—Sale or Other Taxable Disposition.”

Subject to the discussion below on effectively connected income, backup withholding and FATCA (as defined below), dividends paid to a Non-U.S. Holder of our common stock will be subject to U.S. federal withholding tax at a rate of 30% of the gross amount of the dividends (or such lower rate specified by an applicable income tax treaty, provided that the Non-U.S. Holder furnishes a valid IRS Form W-8BEN or IRS Form W-8BEN-E, as applicable (or other applicable documentation), certifying qualification for the lower treaty rate). If a Non-U.S. Holder holds the stock through a financial institution or other intermediary, the Non-U.S. Holder will be required to provide appropriate documentation to the intermediary, which then will be required to provide certification to the applicable withholding agent, either directly or through other intermediaries. A Non-U.S. Holder that does not timely furnish the required documentation, but that qualifies for a reduced treaty rate, may obtain a refund of any excess amounts withheld by timely filing an appropriate claim for refund with the IRS. Non-U.S. Holders should consult their tax advisors regarding their entitlement to benefits under any applicable income tax treaty.

If dividends paid to a Non-U.S. Holder are effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment or fixed base in the United States to which such dividends are attributable), the Non-U.S. Holder will be exempt from the U.S. federal withholding tax described above. To claim the exemption, the Non-U.S. Holder must furnish to the applicable withholding agent a valid IRS Form W-8ECI, certifying that the dividends are effectively connected with the Non-U.S. Holder’s conduct of a trade or business within the United States.

Any such effectively connected dividends generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a



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## Table of Contents

branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected dividends, as adjusted for certain items. Non-U.S. Holders should consult their tax advisors regarding any applicable tax treaties that may provide for different rules.

### **Sale or Other Taxable Disposition**

Subject to the discussion of FATCA below, a Non-U.S. Holder will not be subject to U.S. federal income tax on any gain realized upon the sale or other taxable disposition of our common stock unless:

- the gain is effectively connected with the Non-U.S. Holder's conduct of a trade or business within the United States (and, if required by an applicable income tax treaty, the Non-U.S. Holder maintains a permanent establishment or fixed base in the United States to which such gain is attributable);
- the Non-U.S. Holder is a nonresident alien individual present in the United States for 183 days or more during the taxable year of the disposition and certain other requirements are met; or
- our common stock constitutes a U.S. real property interest (USRPI), by reason of our status as a U.S. real property holding corporation (USRPHC) for U.S. federal income tax purposes.

A gain described in the first bullet point above generally will be subject to U.S. federal income tax on a net income basis at the regular graduated rates. A Non-U.S. Holder that is a corporation also may be subject to a branch profits tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty) on such effectively connected gain, as adjusted for certain items.

A gain described in the second bullet point above will be subject to U.S. federal income tax at a rate of 30% (or such lower rate specified by an applicable income tax treaty), which may be offset by U.S. source capital losses of the Non-U.S. Holder (even though the individual is not considered a resident of the United States), provided that the Non-U.S. Holder has timely filed U.S. federal income tax returns with respect to such losses.

With respect to the third bullet point above, we believe we currently are not, and do not anticipate becoming, a USRPHC. Because the determination of whether we are a USRPHC depends, however, on the fair market value of our USRPIs relative to the fair market value of our non-U.S. real property interests and our other business assets, there can be no assurance that we currently are not a USRPHC or will not become one in the future. Even if we are or were to become a USRPHC, a gain arising from the sale or other taxable disposition by a Non-U.S. Holder of our common stock will not be subject to U.S. federal income tax if our common stock is "regularly traded," as defined by applicable Treasury Regulations, on an established securities market and such Non-U.S. Holder owned, actually or constructively, 5% or less of our common stock throughout the shorter of the five-year period ending on the date of the sale or other taxable disposition or the Non-U.S. Holder's holding period.

Non-U.S. Holders should consult their tax advisors regarding potentially applicable income tax treaties that may provide for different rules.

### **Information Reporting and Backup Withholding**

Payments of dividends on our common stock will not be subject to backup withholding, provided that the applicable withholding agent does not have actual knowledge or reason to know that the holder is a United States person and the holder either certifies its non-U.S. status, such as by furnishing a valid IRS Form W-8BEN or W-8BEN-E, as applicable, or W-8ECI, or otherwise establishes an exemption. However, information returns are required to be filed with the IRS in connection with any dividends on our common stock paid to the Non-U.S. Holder, regardless of whether any tax was actually withheld. In addition, proceeds of the sale or other taxable disposition of our common stock within the United States or conducted through certain U.S.-related brokers generally will not be subject to backup withholding or information reporting if the applicable withholding agent

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## Table of Contents

receives the certification described above and does not have actual knowledge or reason to know that such holder is a United States person, or the holder otherwise establishes an exemption. Proceeds of a disposition of our common stock conducted through a non-U.S. office of a non-U.S. broker generally will not be subject to backup withholding or information reporting.

Copies of information returns that are filed with the IRS may also be made available under the provisions of an applicable treaty or agreement to the tax authorities of the country in which the Non-U.S. Holder resides or is established.

Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules may be allowed as a refund or a credit against a Non-U.S. Holder's U.S. federal income tax liability, provided that the required information is timely furnished to the IRS.

### **Additional Withholding Tax on Payments Made to Foreign Accounts**

Withholding taxes may be imposed under Sections 1471 to 1474 of the Code (such Sections commonly referred to as the Foreign Account Tax Compliance Act, or FATCA), on certain types of payments made to non-U.S. financial institutions and certain other non-U.S. entities. Specifically, a 30% withholding tax may be imposed on dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a "foreign financial institution" or a "non-financial foreign entity" (each as defined in the Code), unless (1) the foreign financial institution undertakes certain diligence and reporting obligations, (2) the non-financial foreign entity either certifies it does not have any "substantial United States owners" (as defined in the Code) or furnishes identifying information regarding each substantial United States owner or (3) the foreign financial institution or non-financial foreign entity otherwise qualifies for an exemption from these rules. If the payee is a foreign financial institution and is subject to the diligence and reporting requirements in (1) above, it must enter into an agreement with the U.S. Department of the Treasury requiring, among other things, that it undertake to identify accounts held by certain "specified United States persons" or "United States-owned foreign entities" (each as defined in the Code), annually report certain information about such accounts and withhold 30% on certain payments to non-compliant foreign financial institutions and certain other account holders. Foreign financial institutions located in jurisdictions that have an intergovernmental agreement with the United States governing FATCA may be subject to different rules.

Under the applicable Treasury Regulations and IRS guidance, withholding under FATCA generally will apply to payments of dividends on our common stock and, on or after January 1, 2019, to payments of gross proceeds from the sale or other disposition of such stock.

Prospective investors should consult their tax advisors regarding the potential application of withholding under FATCA to their investment in our common stock.

**THIS DISCUSSION IS FOR INFORMATIONAL PURPOSES ONLY AND IS NOT TAX ADVICE. INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PURCHASE, OWNERSHIP AND/OR DISPOSITION OF OUR COMMON STOCK ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.**

## UNDERWRITING

We are offering the shares of common stock described in this prospectus through a number of underwriters. Roth Capital Partners, LLC and Craig-Hallum Capital Group LLC are acting as joint book-running managers of the offering. Roth Capital Partners, LLC is acting as representative of the underwriters. Subject to the terms and conditions of the underwriting agreement, we have agreed to sell to the underwriters, and each underwriter has severally agreed to purchase, at the public offering price less the underwriting discounts and commissions set forth on the cover page of this prospectus, the number of shares of common stock listed next to its name in the following table:

<u>Name</u>	<u>Number of Shares</u>
Roth Capital Partners, LLC	
Craig-Hallum Capital Group LLC	
<b>Total</b>	<b>800,000</b>

The underwriters and the representative are collectively referred to as the “underwriters” and the “representative,” respectively. The underwriters are offering the shares of common stock subject to their acceptance of the shares from us and subject to prior sale. The underwriting agreement provides that the obligations of the several underwriters to pay for and accept delivery of the shares of common stock offered by this prospectus are subject to the approval of certain legal matters by their counsel and to certain other conditions. The underwriters are committed to purchase all the shares of common stock offered by us if they purchase any shares. However, the underwriters are not required to take or pay for the shares covered by the underwriters’ option to purchase additional shares described below. The underwriting agreement also provides that if an underwriter defaults, the purchase commitments of non-defaulting underwriters may also be increased or the offering may be terminated.

The underwriters propose to offer the shares directly to the public at the public offering price of \$ \_\_\_\_\_ set forth on the cover page of this prospectus and to certain dealers at that price less a concession not in excess of \$ \_\_\_\_\_ per share. Sales of shares made outside of the United States may be made by affiliates of the underwriters. The representative has advised us that the underwriters do not intend to make sales to discretionary accounts.

The underwriters have an option to buy up to 120,000 additional shares of common stock from us to cover sales of shares by the underwriters which exceed the number of shares specified in the table above. The underwriters have 30 days from the date of this prospectus to exercise this over-allotment option. If any shares are purchased with this over-allotment option, the underwriters will purchase shares in approximately the same proportion as shown in the table above. If any additional shares of common stock are purchased, the underwriters will offer the additional shares on the same terms as those on which the shares are being offered.

The underwriting fee is equal to the public offering price per share of common stock less the amount paid by the underwriters to us for each share of common stock. The underwriting fee is \$ \_\_\_\_\_ per share. The following table shows the per share and total underwriting discounts and commissions to be paid to the underwriters assuming both no exercise and full exercise of the underwriters’ option to purchase additional shares.

	<u>Without Over-Allotment Exercise</u>	<u>With Full Over-Allotment Exercise</u>
Per Share	\$ _____	\$ _____
Total	\$ _____	\$ _____

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees, legal and accounting expenses, and the reimbursement of the expenses of the underwriters, but excluding

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## Table of Contents

the underwriting discounts and commissions, will be approximately \$505,000. We have agreed to reimburse the underwriters for all of their reasonable costs and expenses relating to the offering in an amount not to exceed \$150,000 in the aggregate.

A prospectus in electronic format may be made available on the websites maintained by one or more underwriters, or selling group members, if any, participating in the offering. The underwriters may agree to allocate a number of shares to underwriters and selling group members for sale to their online brokerage account holders. Internet distributions will be allocated by the representative to underwriters and selling group members that may make Internet distributions on the same basis as other allocations.

We have agreed that, subject to limited exceptions, we will not, for a period of 90 days after the date of this prospectus, (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise dispose of, directly or indirectly, or file with the SEC a registration statement under the Securities Act relating to, any shares of our common stock or securities convertible into or exchangeable or exercisable for any shares of our common stock, or publicly disclose the intention to make any offer, sale, pledge, disposition or filing, or (ii) enter into any swap or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of any shares of common stock or any such other securities (regardless of whether any of these transactions are to be settled by the delivery of shares of common stock or such other securities, in cash or otherwise), in each case without the prior written consent of Roth Capital Partners, LLC.

Our directors and executive officers and certain of our significant shareholders have entered into lock-up agreements with the underwriters prior to the commencement of this offering pursuant to which each of these persons or entities has agreed, subject to limited exceptions, for a period of 90 days after the date of this prospectus not to, without the prior written consent of Roth Capital Partners, LLC: (i) offer, pledge, announce the intention to sell, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase or otherwise transfer or dispose of, directly or indirectly, any shares of our common stock or any securities convertible into or exercisable or exchangeable for our common stock (including, without limitation, common stock or such other securities which may be deemed to be beneficially owned by such directors, executive officers, managers and members in accordance with the rules and regulations of the SEC and securities which may be issued upon exercise of a stock option or warrant) or (ii) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the common stock or such other securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of common stock or such other securities, in cash or otherwise, or (iii) make any demand for or exercise any right with respect to the registration of any shares of our common stock or any security convertible into or exercisable or exchangeable for our common stock.

We have agreed to indemnify the underwriters against certain liabilities, including liabilities under the Securities Act.

Our common stock is listed on NASDAQ under the symbol "VERI."

In connection with this offering, the underwriters may engage in stabilizing transactions, which involves purchasing and selling shares of common stock in the open market for the purpose of preventing or retarding a decline in the market price of the common stock while this offering is in progress. These stabilizing transactions may include making short sales of the common stock, which involves the sale by the underwriters of a greater number of shares of common stock than they are required to purchase in this offering, and purchasing shares of common stock on the open market to cover positions created by short sales. Short sales may be "covered" shorts, which are short positions in an amount not greater than the underwriters' over-allotment option referred to above, or may be "naked" shorts, which are short positions in excess of that amount. The underwriters may close out any covered short position either by exercising their over-allotment option, in whole or in part, or by purchasing shares in the open market. In making this determination, the underwriters will consider, among other things, the

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## **Table of Contents**

price of shares available for purchase in the open market compared to the price at which the underwriters may purchase shares through the over-allotment option. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the common stock in the open market that could adversely affect investors who purchase in this offering. To the extent that the underwriters create a naked short position, they will purchase shares in the open market to cover the position.

The underwriters have advised us that, pursuant to Regulation M of the Securities Act, they may also engage in other activities that stabilize, maintain or otherwise affect the price of the common stock, including the imposition of penalty bids. This means that if the representative of the underwriters purchase common stock in the open market in stabilizing transactions or to cover short sales, the representative can require the underwriters that sold those shares as part of this offering to repay the underwriting discount received by them.

These activities may have the effect of raising or maintaining the market price of the common stock or preventing or retarding a decline in the market price of the common stock and, as a result, the price of the common stock may be higher than the price that otherwise might exist in the open market. If the underwriters commence these activities, they may discontinue them at any time. The underwriters may carry out these transactions on NASDAQ, in the over-the-counter market or otherwise.

Certain of the underwriters and their affiliates have provided to us in the past and may provide from time to time in the future, certain commercial banking, financial advisory, investment banking and other services for us in the ordinary course of their business, for which they have received and may continue to receive customary fees and commissions. In addition, from time to time, certain of the underwriters and their affiliates may effect transactions for their own account or the account of customers, and hold on behalf of themselves or their customers, long or short positions in our debt or equity securities or loans.

Other than in the United States, no action has been taken by us or the underwriters that would permit a public offering of the securities offered by this prospectus in any jurisdiction where action for that purpose is required. The securities offered by this prospectus may not be offered or sold, directly or indirectly, nor may this prospectus or any other offering material or advertisements in connection with the offer and sale of any such securities be distributed or published in any jurisdiction, except under circumstances that will result in compliance with the applicable rules and regulations of that jurisdiction. Persons into whose possession this prospectus comes are advised to inform themselves about and to observe any restrictions relating to the offering and the distribution of this prospectus. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities offered by this prospectus in any jurisdiction in which such an offer or a solicitation is unlawful.

### **Canada**

The securities may be sold in Canada only to purchasers purchasing, or deemed to be purchasing, as principal that are “accredited investors”, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are “permitted clients”, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the securities must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws. Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor. Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

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## Table of Contents

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive, each, a Relevant Member State, with effect from and including the date on which the European Union Prospectus Directive, or the EU Prospectus Directive, was implemented in that Relevant Member State, or the Relevant Implementation Date, no offer of securities may be made to the public in that Relevant Member State other than:

1. to any legal entity which is a qualified investor as defined under the EU Prospectus Directive;
2. to fewer than 150 natural or legal persons (other than qualified investors as defined in the EU Prospectus Directive), subject to obtaining the prior consent of the representatives; or
3. in any other circumstances falling within Article 3(2) of the EU Prospectus Directive;

provided that no such offer of securities shall require the Company or any underwriter to publish a prospectus pursuant to Article 3 of the Prospectus Directive and each person who initially acquires any securities or to whom any offer is made will be deemed to have represented, acknowledged and agreed to and with each of the underwriters and the Company that it is a “qualified investor” within the meaning of the law in that Relevant Member State implementing Article 2(1)(e) of the Prospectus Directive.

In the case of any securities being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, each such financial intermediary will be deemed to have represented, acknowledged and agreed that the securities acquired by it in the offer have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any securities to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the representatives has been obtained to each such proposed offer or resale.

For the purposes of this provision, the expression an “offer of securities to the public” in relation to any securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the securities to be offered so as to enable an investor to decide to purchase or subscribe for the securities, as the same may be varied in that Member State by any measure implementing the EU Prospectus Directive in that Member State. The expression “EU Prospectus Directive” means Directive 2003/71/EC (and any amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in each Relevant Member State, and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **United Kingdom**

In the United Kingdom, this document is being distributed only to, and is directed only at, and any offer subsequently made may only be directed at persons who are “qualified investors” (as defined in the Prospectus Directive) (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended, or the Order, and/or (ii) who are high net worth companies (or persons to whom it may otherwise be lawfully communicated) falling within Article 49(2)(a) to (d) of the Order (all such persons together being referred to as “relevant persons”) or otherwise in circumstances which have not resulted and will not result in an offer to the public of the securities in the United Kingdom.

Any person in the United Kingdom that is not a relevant person should not act or rely on the information included in this document or use it as basis for taking any action. In the United Kingdom, any investment or investment activity that this document relates to may be made or taken exclusively by relevant persons.

## LEGAL MATTERS

The validity of the shares of common stock offered hereby will be passed upon for us by K&L Gates LLP, Irvine, California. Stradling, Yocca, Carlson & Rauth, P.C., Newport Beach, California has acted as counsel for the underwriters in connection with certain legal matters related to this offering.

## EXPERTS

The consolidated financial statements of Veritone, Inc. and its subsidiaries as of December 31, 2016 and 2015, and for the years ended December 31, 2016 and 2015, have been included herein in reliance on the report of Marcum LLP, independent registered public accounting firm, appearing elsewhere herein, and upon the authority of said firm as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 under the Securities Act with respect to the shares of common stock offered hereby. This prospectus, which constitutes a part of the registration statement, does not contain all of the information set forth in the registration statement or the exhibits and schedules filed therewith. For further information about us and the common stock offered hereby, we refer you to the registration statement and the exhibits and schedules filed thereto. Statements contained in this prospectus regarding the contents of any contract or any other document that is filed as an exhibit to the registration statement are not necessarily complete, and each such statement is qualified in all respects by reference to the full text of such contract or other document filed as an exhibit to the registration statement.

You may inspect a copy of the registration statement and the exhibits and schedules to the registration statement without charge at the Public Reference Room of the SEC at 100 F Street, N.E., Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. You can receive copies of these documents upon payment of a duplicating fee by writing to the SEC. The SEC maintains a website at <http://www.sec.gov> that contains reports, proxy and information statements and other information regarding registrants that file electronically with the SEC. You can also inspect our registration statement on this website.

VERITONE, INC.

INDEX TO FINANCIAL STATEMENTS

<a href="#">Report of Independent Registered Public Accounting Firm</a>	F-2
<a href="#">Consolidated Balance Sheets</a>	F-3
<a href="#">Consolidated Statements of Operations and Comprehensive Loss</a>	F-4
<a href="#">Consolidated Statements of Stockholders' Equity (Deficit)</a>	F-5
<a href="#">Consolidated Statements of Cash Flows</a>	F-6
<a href="#">Notes to Consolidated Financial Statements</a>	F-7



REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Audit Committee of the Board of Directors and Shareholders of Veritone, Inc.

We have audited the accompanying consolidated balance sheets of Veritone, Inc. (the Company) as of December 31, 2016 and 2015, and the related consolidated statements of operations, stockholders' equity (deficit) and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Veritone, Inc., as of December 31, 2016 and 2015, and the consolidated results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company had recurring net losses and negative cash flows from operations that raise substantial doubt about the Company's ability to continue as a going concern. Management's plans regarding these matters also are described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

As discussed in Note 2 to the financial statements, the previously issued financial statements as of and for the year ended December 31, 2016 have been restated to correct certain material misstatements.

/s/ Marcum LLP  
Irvine, California

March 15, 2017, except for the effects of the restatement as discussed in Note 2 and reverse stock split as discussed in Note 10 to the financial statements, as to which the date is April 20, 2017

**VERITONE, INC.**  
**CONSOLIDATED BALANCE SHEETS**  
**(in thousands, except per share and share data)**

	As of		As of
	December 31,		September 30,
	2016	2015	2017
	(Restated)		(Unaudited)
<b>ASSETS</b>			
Cash and cash equivalents	\$ 12,078	\$ 19,197	\$ 20,762
Marketable securities	—	—	39,670
Accounts receivable, net of allowance of \$0, \$0 and \$69 (unaudited) as of December 31, 2016 and 2015, and September 30, 2017, respectively	4,834	6,091	10,080
Expenditures billable to clients	3,384	1,220	5,167
Prepaid expenses and other current assets	1,071	766	2,830
Total current assets	21,367	27,274	78,509
Property, equipment and improvements, net	68	52	52
Patents	—	500	—
Capitalized software, net	321	440	177
Other assets	592	—	944
Total assets	<u>\$ 22,348</u>	<u>\$ 28,266</u>	<u>\$ 79,682</u>
<b>LIABILITIES, REDEEMABLE CONVERTIBLE PREFERRED STOCK, AND STOCKHOLDERS' EQUITY (DEFICIT)</b>			
Accounts payable	\$ 12,321	\$ 21,192	\$ 15,840
Accrued media payments	6,777	1,632	9,058
Other accrued liabilities	3,060	—	3,088
Customer advances	1,841	4,846	3,850
Convertible note payable, net of discounts and issuance costs of \$6,898, \$0 and \$0 (unaudited) as of December 31, 2016 and 2015, and September 30, 2017, respectively	13,388	—	—
Warrant liability	7,114	—	—
Total current liabilities	44,501	27,670	31,836
Other liabilities	22	28	14
Total liabilities	<u>44,523</u>	<u>27,698</u>	<u>31,850</u>
Commitments and contingencies (Note 8)			
Redeemable convertible preferred stock:			
Series B Preferred Stock, par value \$0.001 per share, 3,092,781 shares authorized, issued and outstanding at December 31, 2016 and 2015 and no shares authorized, issued and outstanding at September 30 2017 (aggregate liquidation preference of \$18,138 at December 31, 2016, \$16,800 at December 31, 2015 and \$0 (unaudited) at September 30, 2017)	17,897	16,459	—
Series A Preferred Stock, par value \$0.001 per share, 5,666,667 shares authorized, 3,914,697 shares outstanding at December 31, 2016; 3,000,000 shares issued and outstanding at December 31, 2015 and no shares authorized, issued and outstanding at September 30, 2017 (aggregate liquidation preference of \$8,353 at December 31, 2016, \$5,929 at December 31, 2015 and \$0 (unaudited) at September 30, 2017)	5,453	3,020	—
Series A-1 Preferred Stock, par value \$0.001 per share, 2,666,667 shares authorized, no shares issued and outstanding at December 31, 2016; 914,697 shares outstanding at December 31, 2015 and no shares authorized, issued and outstanding at September 30 2017 (aggregate liquidation preference of \$0 at December 31, 2016, \$1,808 at December 31, 2015 and \$0 (unaudited) at September 30, 2017)	—	667	—
Total redeemable convertible preferred stock	<u>23,350</u>	<u>20,146</u>	<u>—</u>
Stockholders' equity (deficit):			
Preferred stock, par value \$0.001 per share; 1,000,000 shares authorized at September 30, 2017; no shares issued and outstanding at September 30, 2017 (unaudited)	—	—	—
Common Stock, par value \$0.001 per share, 75,000,000 authorized and 14,956,322 issued and outstanding at September 30, 2017 (unaudited); 38,500,000 shares authorized and 2,620,803 and issued and outstanding at December 31, 2016, and 38,500,000 shares authorized and 1,301,249 issued and outstanding at December 31, 2015	4	2	15
Additional paid-in capital	(293)	(4,527)	144,396
Accumulated other comprehensive loss	—	—	(62)
Accumulated deficit	(45,236)	(15,053)	(96,517)
Total stockholders' equity (deficit)	<u>(45,525)</u>	<u>(19,578)</u>	<u>47,832</u>
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	<u>\$ 22,348</u>	<u>\$ 28,266</u>	<u>\$ 79,682</u>

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

**VERITONE, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**AND COMPREHENSIVE LOSS**  
(in thousands, except per share and share data)

	For the Year Ended December 31,		Nine Months Ended September 30,	
	2016	2015	2017	2016
	(Restated)		(Unaudited)	
Net revenues	\$ 8,911	\$ 13,928	\$ 10,914	\$ 6,408
Cost of revenue	1,577	1,860	824	1,067
Gross profit	<u>7,334</u>	<u>12,068</u>	<u>10,090</u>	<u>5,341</u>
Operating expenses:				
Sales and marketing expenses	8,279	5,735	9,689	5,688
Research and development expenses	7,900	4,633	9,613	5,357
General and administrative expenses	14,935	7,990	24,722	10,723
Total operating expenses	<u>31,114</u>	<u>18,358</u>	<u>44,024</u>	<u>21,768</u>
Loss from operations	(23,780)	(6,290)	(33,934)	(16,427)
Other income (expense), net	(3,193)	85	(12,872)	(1,483)
Loss before provision for income taxes	(26,973)	(6,205)	(46,806)	(17,910)
Provision for income taxes	6	5	5	5
Net loss	\$ (26,979)	\$ (6,210)	(46,811)	(17,915)
Accretion of redeemable convertible preferred stock	(3,204)	(3,330)	(4,470)	(2,383)
Net loss attributable to common stockholders	<u>\$ (30,183)</u>	<u>\$ (9,540)</u>	<u>\$ (51,281)</u>	<u>\$ (20,298)</u>
Basic and diluted net loss per share	<u>\$ (14.59)</u>	<u>\$ (6.73)</u>	<u>\$ (5.94)</u>	<u>\$ (10.37)</u>
Weighted-average shares used to compute basic and diluted net loss per share	<u>2,068,334</u>	<u>1,416,732</u>	<u>8,640,178</u>	<u>1,957,596</u>
Comprehensive loss:				
Net loss	\$ (26,979)	\$ (6,210)	\$ (46,811)	\$ (17,915)
Net change in unrealized loss on marketable securities, net of income taxes	—	—	(62)	—
Total comprehensive loss	<u>\$ (26,979)</u>	<u>\$ (6,210)</u>	<u>\$ (46,873)</u>	<u>\$ (17,915)</u>

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

**VERITONE, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)**  
(in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance as of January 1, 2015	1,839,191	\$ 3	\$ (4,654)	\$ —	\$ (4,724)	\$ (9,375)
Buy-back of common stock	(525,591)	(1)	—	—	(789)	(790)
Stock-based compensation expense	—	—	127	—	—	127
Forfeiture of restricted stock, net	(12,351)	—	—	—	—	—
Accretion of redeemable convertible preferred stock	—	—	—	—	(3,330)	(3,330)
Net loss	—	—	—	—	(6,210)	(6,210)
Balance as of December 31, 2015	1,301,249	2	(4,527)	—	(15,053)	(19,578)
Stock issued to dissenting stockholder (See note 5)	106,420	—	159	—	—	159
Exercise of options	51,504	—	77	—	—	77
Issuance of warrants	—	—	458	—	—	458
Beneficial conversion feature	—	—	1,812	—	—	1,812
Stock-based compensation expense	961,835	2	1,728	—	—	1,730
Issuance of restricted stock, net	199,795	—	—	—	—	—
Accretion of redeemable convertible preferred stock	—	—	—	—	(3,204)	(3,204)
Net loss	—	—	—	—	(26,979)	(26,979)
Balance as of December 31, 2016 (as restated)	<u>2,620,803</u>	<u>\$ 4</u>	<u>\$ (293)</u>	<u>\$ —</u>	<u>\$ (45,236)</u>	<u>\$ (45,525)</u>

	Common Stock		Additional Paid-in Capital	Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount				
Balance as of December 31, 2016	2,620,803	\$ 4	\$ (293)	\$ —	\$ (45,236)	\$ (45,525)
Common stock issued through public offering, net (unaudited)	2,500,000	3	32,577	—	—	32,580
Conversion of Series B preferred stock upon public offering (unaudited)	2,309,135	2	18,666	—	—	18,668
Conversion of Series A preferred stock upon public offering (unaudited)	2,922,798	3	8,595	—	—	8,598
Exercise of Primary Warrant upon public offering (unaudited)	2,150,335	2	29,261	—	—	29,263
Conversion of Acacia Note and accrued interest upon public offering (unaudited)	1,523,746	2	20,735	—	—	20,737
Conversion of Bridge Loan and accrued interest upon public offering (unaudited)	590,717	1	8,044	—	—	8,045
Common stock issued to Bridge Loan holders (unaudited)	300,000	0	3,666	—	—	3,666
Issuance of restricted stock, net of forfeitures (unaudited)	30,415	—	—	—	—	—
Repurchase of common stock (unaudited)	(7,500)	(0)	(56)	—	—	(56)
Exercise of options (unaudited)	3,281	(2)	7	—	—	5
Issuance of warrants (unaudited)	—	—	8,658	—	—	8,658
Beneficial conversion feature (unaudited)	—	—	554	—	—	554
Modification of warrants (unaudited)	—	—	371	—	—	371
Stock-based compensation expense (unaudited)	12,592	0	13,611	—	—	13,611
Accretion of redeemable convertible preferred stock (unaudited)	—	—	—	—	(4,470)	(4,470)
Net loss (unaudited)	—	—	—	—	(46,811)	(46,811)
Other comprehensive loss	—	—	—	(62)	—	(62)
Balance as of September 30, 2017 (unaudited)	<u>14,956,322</u>	<u>\$ 15</u>	<u>\$ 144,396</u>	<u>\$ (62)</u>	<u>\$ (96,517)</u>	<u>\$ 47,832</u>

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

**VERITONE, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(in thousands)

	For the Year Ended December 31,		Nine Months Ended September 30,	
	2016 (Restated)	2015	2017 (Unaudited)	2016 (Unaudited)
<b>Cash flows from operating activities:</b>				
Net loss	\$ (26,979)	\$ (6,210)	\$ (46,811)	\$ (17,915)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:				
Depreciation and amortization	151	57	176	93
Intangible asset impairment charges	500	500	—	500
Amortization of debt issuance costs and discount	3,604	—	3,740	1,271
Costs of warrants issued at IPO	—	—	5,790	—
Write-off of debt discounts and issuance costs at IPO	—	—	10,132	—
Change in fair value of warrant liability	(950)	—	(7,114)	(117)
Provision for doubtful accounts	—	—	69	—
Stock issued to dissenting shareholder	159	—	—	159
Stock-based compensation expense	1,730	127	13,611	1,588
Changes in assets and liabilities:				
Accounts receivable	1,257	(2,770)	(5,315)	(5,523)
Expenditures billable to clients	(2,164)	1,983	(1,783)	(733)
Prepaid expenses and other current assets	(305)	506	(1,641)	(174)
Accounts payable	—	—	3,519	(10,208)
Accounts media payments	(9,188)	8,480	2,597	4,522
Other Accrued liabilities	8,441	500	651	523
Customer advances	(3,005)	(771)	2,009	4,559
Other liabilities	(6)	1	—	—
Net cash (used in) provided by operating activities	(26,755)	2,403	(20,370)	(21,455)
<b>Cash flows from investing activities:</b>				
Purchases of marketable securities	—	—	(39,850)	—
Capital expenditures	(37)	(22)	(16)	(20)
Software development expenditures	—	(472)	—	—
Additions to intangibles assets	—	—	(30)	—
Deposits for operating leases	—	—	(774)	—
Other	(100)	—	—	—
Net cash used in investing activities	(137)	(494)	(40,670)	(20)
<b>Cash flows from financing activities:</b>				
Net proceeds from public offering	—	—	32,580	—
Proceeds received under the Bridge Loan Agreement	—	—	8,000	—
Proceeds from exercise of Primary Warrant	—	—	29,263	—
Proceeds from the exercise of stock options	77	—	5	72
Proceeds from issuance of convertible note payable	20,000	—	—	10,000
Debt issuance costs	(168)	—	(68)	(168)
Deferred offering costs	(136)	—	—	—
Payment for buy-back of Series A-1 Preferred Stock and Common Stock	—	(1,459)	—	—
Repurchase of Common Stock	—	—	(56)	—
Net cash provided by (used in) financing activities	19,773	(1,459)	69,724	9,904
(Decrease) increase in cash	(7,119)	450	8,684	(11,571)
Cash and cash equivalents, beginning of year	19,197	18,747	12,078	19,197
Cash and cash equivalents, end of year	<u>\$ 12,078</u>	<u>\$ 19,197</u>	<u>\$ 20,762</u>	<u>\$ 7,626</u>
<b>Supplemental Disclosure of Cash Flow Information</b>				
Cash paid during the periods for:				
Interest	\$ —	\$ —	\$ —	\$ —
Income taxes	\$ 13	\$ 6	\$ —	\$ —
Non-cash investing and financing activities:				
Conversion of convertible notes payable, including accrued interest, to common stock	\$ —	\$ —	\$ 28,782	\$ —
Conversion of redeemable convertible preferred stock to common stock	\$ —	\$ —	\$ 27,266	\$ —
Unpaid deferred IPO cost	\$ 316	\$ —	\$ —	\$ —

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

VERITONE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(in thousands, except share and per share data)

**NOTE 1. DESCRIPTION OF BUSINESS**

Veritone, Inc., a Delaware corporation (“Veritone”) (together with its wholly-owned subsidiaries, collectively, the Company), is a cloud-based cognitive software company that extracts understanding from unstructured audio and video data. The Company’s artificial intelligence (“AI”) platform incorporates patented technology to manage and integrate a wide variety of artificial intelligence processes, through the orchestration of machine learning algorithms known as cognitive engines to mimic human cognitive functions such as perception, reasoning, prediction and problem solving to transform unstructured data. The Company’s AI platform stores the cognitive engine results in a searchable, time-correlated index, creating an online, searchable library of audio and video data that enables analysis and automated business solutions. Because of its open architecture, additional cognitive engines can be readily added to the platform, and new applications can be added by the Company or third parties to leverage the platform for a broad range of industries that capture or use audio and video data, including, without limitation, media, politics, legal and other commercial and government vertical markets. In addition, the Company operates a full service advertising agency. The Company’s expertise in media buying, planning and creative development, coupled with its proprietary technology platform, enables the Company to deliver and analyze the effectiveness of advertising in a way that is simple, scalable and trackable.

Veritone was incorporated as Veritone Delaware, Inc. on June 13, 2014 and changed its name to Veritone, Inc. on July 15, 2014. In July 2014, Veritone merged with ROIM Acquisition Corp. (RAC), which owned all of the capital stock of ROIM, Inc. (ROIM). Veritone was the surviving corporation in the RAC merger and ROIM became a wholly-owned subsidiary of Veritone following that merger. At that time, Chad Steelberg and Ryan Steelberg, who are brothers, were the majority stockholders of Veritone, RAC and ROIM via direct or indirect ownership interests. Also, in July 2014, Veritone acquired all of the outstanding membership interests in NextMedium, LLC (NM). Chad Steelberg and Ryan Steelberg indirectly owned the majority of the membership interests in NM. The Company accounted for these transactions as mergers under common control based upon the guidance in ASC 805-50, so that the assets and liabilities of RAC, ROIM and NM were recorded by the Company at their carryover basis.

***Initial Public Offering***

In May 2017, the Company completed an initial public offering (“IPO”) of its common stock. In connection with the IPO, the Company sold 2,500,000 shares of common stock at \$15.00 per share for an expected aggregate net proceeds of \$32,580 after underwriting discounts, commissions and offering costs of \$4,920.

Concurrent with the closing of the IPO on May 17, 2017, the following transactions were completed in accordance with the related agreements (see Notes 3 and 4):

- (a) The Series B Preferred Stock, which had a liquidation preference of \$18,668 and a net book value of \$18,463, was automatically converted into 2,309,135 shares of the Company’s common stock;
- (b) The Series A Preferred Stock, which had a liquidation preference of \$8,598 and a net book value of \$6,272, was automatically converted into 2,922,798 shares of the Company’s common stock;
- (c) The Convertible Note Payable to Acacia Research Corporation (“Acacia”), which had a principal balance of \$20,000 and accrued interest of \$737, was automatically converted into 1,523,746 shares of the Company’s common stock;
- (d) The Primary Warrant was automatically exercised by Acacia, which resulted in the issuance of 2,150,335 shares of the Company’s common stock to Acacia in exchange for cash proceeds of \$29,263;

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## **Table of Contents**

- (e) Acacia and Veritone LOC I, LLC (“VLOC”), which together we refer to as the Bridge Loan Lenders, funded the remaining undrawn amounts under the Bridge Loan, which provided cash proceeds of \$4,000 to the Company and increased the outstanding principal balance of the Bridge Loan to \$8,000. In connection with the funding, the Company issued to the Bridge Loan Lenders (a) an aggregate of 90,000 shares of its common stock, and (b) fully vested warrants to purchase a number of shares of the Company’s common stock equal to the greater of (i) 120,000 shares of common stock, and (ii) 0.75% of the Company’s fully diluted shares outstanding following completion of the IPO. Such warrants have a term of ten years following the date of issuance and have an exercise price per share equal to the lower of \$13.6088 or the IPO price per share to the public;
- (f) The Bridge Loan, which had a principal balance of \$8,000 and accrued interest of \$45, was automatically converted into an aggregate of 590,717 shares of the Company’s common stock; and
- (g) The warrants to purchase an aggregate of 240,000 shares of the Company’s common stock that were issued in connection with the Bridge Loan were automatically adjusted upon completion of the IPO to be exercisable to purchase an aggregate of 313,440 shares of the Company’s common stock (which was equal to 1.5% of the fully diluted shares of common stock outstanding immediately following the closing of the IPO).

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

### **Basis of Presentation**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The summary of significant accounting policies presented below is designed to assist in understanding the Company’s consolidated financial statements. Such consolidated financial statements and accompanying notes are the representations of the Company’s management, who is responsible for their integrity and objectivity.

The accompanying consolidated financial statements as of September 30, 2017 and for the nine months ended September 30, 2017 and 2016 have been prepared on the same basis as the May 11, 2017 Prospectus and, in the opinion of management, reflect all adjustments, which are normal and recurring, necessary to fairly state its financial position, results of operations and cash flows. The financial data and other information disclosed in these notes to the consolidated financial statements reflected in the nine-month periods presented herein are unaudited.

### **Restatement of Previously Issued Financial Statements**

The Company’s previously issued financial statements as of and for the year ended December 31, 2016 have been restated to reflect the correction of the accounting for the Primary Common Stock Purchase Warrant issued to Acacia Research Corporation (Acacia) in August 2016 (the Primary Warrant). The Primary Warrant had a fair value of \$8,064 as of the date it was issued. Previously, the Company recorded the fair value of the Primary Warrant as a deferred stock offering cost. The correct treatment of the Primary Warrant is as a discount to the first tranche of the convertible note issued to Acacia in August 2016. Once the book value of the convertible note is reduced by the discount associated with the Primary Warrant, the conversion feature of the convertible note becomes a beneficial conversion feature, which results in an additional discount of \$1,812 being recorded against the convertible note’s book value and a corresponding credit to the Company’s additional paid in capital. Also, the legal fees of \$253 which were incurred to set up the Primary Warrant have been removed from deferred stock offering cost and expensed in Other Income in the Company’s 2016 statement of operations.

Following the recognition of the discount to the convertible note for the Primary Warrant and the beneficial conversion feature, the Company recorded additional interest expense of \$3,460 from August 2016 through December 2016 to amortize a portion of the increase in the discount.

## Table of Contents

The correction of the error is presented in the Company's consolidated financial statements as of and for the year ended December 31, 2016 as follows:

### Consolidated Balance Sheet

	As Originally Reported	Restatement Adjustments	As Restated
Deferred offering costs	\$ 8,317	\$ (8,317)	\$ —
Total current assets	29,684	(8,317)	21,367
Total assets	30,665	(8,317)	22,348
Convertible note payable, net of discount	19,804	(6,416)	13,388
Total current liability	50,917	(6,416)	44,501
Total liabilities	50,939	(6,416)	44,523
Additional paid-in capital	(2,105)	1,812	(293)
Accumulated deficit	(41,523)	(3,713)	(45,236)
Total stockholders' equity (deficit)	(43,624)	(1,901)	(45,525)
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	30,665	(8,317)	22,348

### Consolidated Statement of Operations

	As Originally Reported	Restatement Adjustments	As Restated
Interest expense	\$ (430)	\$ (3,460)	\$ (3,890)
Other income (expense)	950	(253)	697
Total other income (expense), net	520	(3,713)	(3,193)
Loss before provision for income taxes	(23,260)	(3,713)	(26,973)
Net loss	\$ (23,266)	(3,713)	\$ (26,979)
Net loss attributable to common stockholders	\$ (26,470)	(3,713)	\$ (30,183)
Basic and diluted net loss per share attributable to common stockholders	\$ (12.80)	(1.79)	\$ (14.59)
Weighted-average shares used to compute basic and diluted net loss per share	<u>2,068,334</u>		<u>2,068,334</u>

### Liquidity and Capital Resources

The Company incurred net losses of \$(26,979) and \$(6,210) in the years ended December 31, 2016 and 2015, respectively. The net losses were incurred as the Company expanded the capabilities of its platform and increased its sales and marketing initiatives to develop customer relationships in its SaaS licensing business. In addition, the Company had convertible notes payable of \$20,286 that were due in November 2017, which significantly contributed to the Company's net working capital deficit of \$(23,134) as of December 31, 2016. Net cash used in operating activities was \$(26,755) during the year ended December 31, 2016.

The combination of a history of operating losses, significant cash used in operating activities, and a net working capital deficit raised substantial doubt as to the Company's ability to continue as a going concern.

The Company's board of directors and management took the following actions to provide sufficient capital for the Company to operate for at least the next year:

- Entered into a Bridge Loan in March 2017 that provided \$8,000 of cash;



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## **Table of Contents**

- Completed its IPO in May 2017 and sold 2,500,000 shares of common stock at \$15.00 per share for net proceeds of \$32,580 after underwriting discounts, commissions and offering costs of \$4,920.;
- Arranged a stock warrant that was issued to Acacia, which resulted in the Company receiving \$29,263 immediately following the IPO through the exercise of this stock warrant;
- Structured the convertible notes payable, which had a principal and accrued interest balance of \$20,286 as of December 31, 2016, such that they converted into shares of the Company's common stock at the time of the IPO; and
- Negotiated with the Bridge Loan lenders so that the outstanding balance of the line of credit converted into shares of the Company's common stock at the time of the IPO.

The Company's ability to raise sufficient capital was uncertain. The accompanying consolidated financial statements have been prepared assuming the Company will continue as a going concern; however, the above conditions raised substantial doubt about the Company's ability to do so. The financial statements do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or the amounts and classifications of liabilities that may result should the Company be unable to continue as a going concern.

The company completed an IPO of its common stock in May 2017 and raised net proceeds of \$32,580. Concurrent with the closing of the IPO, the Series A and B preferred Stock, Convertible Note and Bridge Loan were all converted to common stock, and the Primary Warrant was exercised resulting in additional cash proceeds of \$29,263. As a result, the substantial doubt regarding the Company's ability to continue as a going concern was mitigated.

### **Principles of Consolidation**

The accompanying consolidated financial statements include the balances of Veritone, Inc. and its subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

### **Use of Accounting Estimates**

The preparation of the accompanying consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the accompanying consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The principal estimates relate to the valuation of common stock, stock awards, and stock warrants. Actual results could differ from those estimates.

### **Fair Value of Financial Instruments**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy, which is based on three levels of inputs, the first two of which are considered observable and the last unobservable, that may be used to measure fair value, is as follows:

- Level 1—Quoted prices in active markets for identical assets or liabilities.
- Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

## Table of Contents

- Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The Company's financial instruments, other than its money market funds, marketable securities and stock warrants, consist primarily of cash and cash equivalents, accounts receivable, accounts payable and convertible notes payable. The Company has determined that the carrying values of these instruments for the periods presented approximate fair value due to their short-term nature and the relatively stable current interest rate environment.

The Company's money market funds and marketable securities are categorized as Level 1 and 2, respectively, within the fair value hierarchy. The following table shows the Company's cash and available-for-sale securities' cost, gross unrealized losses and fair value by significant investment category recorded as cash and cash equivalents or marketable securities as of September 30, 2017:

	Cost	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	\$13,711	\$ —	\$13,711	\$ 13,711	\$ —
Level 1:					
Money market funds	3,057	—	3,057	3,057	—
Level 2:					
Corporate securities	43,726	(62)	43,664	3,994	39,670
Total	<u>\$60,494</u>	<u>\$ (62)</u>	<u>\$60,432</u>	<u>\$ 20,762</u>	<u>\$ 39,670</u>

The Company's stock warrants are categorized as Level 3 within the fair value hierarchy. Stock warrants have been recorded at their fair value using a probability expected weighted return model. This model incorporates contractual terms, maturity, risk free rates and volatility. The value of the Company's stock warrants would increase if a higher risk free interest rate were used, and the value of the Company's stock warrants would decrease if a lower risk free interest rate were used. Similarly, a higher volatility assumption would increase the value of the stock warrants, and a lower volatility assumption would decrease the value of the stock warrants. The development and determination of the unobservable inputs for Level 3 fair value measurements and fair value calculations are the responsibility of the Company's management with the assistance of a third party valuation specialist.

The following table summarizes quantitative information with respect to the significant unobservable inputs used for the Company's stock warrants that are categorized within the Level 3 fair value hierarchy:

	December 31, 2016
Volatility	80.0%
Risk free rate	1.84%
Discount for lack of marketability	20.0%

The following table represents a reconciliation of the Level 3 measurement of the Company's Primary Warrant:

Balance, January 1, 2016	\$ —
Issuance of warrant	8,064
Change in fair value of warrant liability	(950)
Balance, December 31, 2016	<u>\$ 7,114</u>
Change in fair value of warrant liability	(7,114)
Balance, September 30, 2017 (unaudited)	\$ —

In May 2017, upon exercise of the Primary Warrant, the Company issued to Acacia a five-year warrant to purchase 809,400 shares of the Company's common stock, or 10% Warrant. The fair value of the 10% Warrant under Level 3 measurement is \$5,790 (see related discussion in Note 3).

## Table of Contents

The following table summarizes quantitative information with respect to the significant unobservable inputs used for the Company's 10% Warrant that are categorized as Level 3 within the fair value hierarchy:

	May 17, 2017
Volatility	70.0%
Risk free rate	1.44%
Discount for lack of marketability	0%

### Cash Equivalents and Marketable Securities

All highly liquid investments with maturities of three months or less at the date of purchase are classified as cash equivalents. The Company's marketable securities have been classified and accounted for as available-for-sale. Management determines the appropriate classification of its investments at the time of purchase and reevaluates the classifications at each balance sheet date. Marketable securities are classified as either short-term or long-term based on the nature of each security and its availability for use in current operations. The Company's marketable securities are carried at fair value, with unrealized gains and losses, net of taxes, reported as a component of accumulated other comprehensive income in shareholders' equity (deficit), with the exception of unrealized losses believed to be other-than-temporary which are reported in earnings in the current period. The cost of securities sold is based upon the specific identification method. At December 31, 2016, 2015 and September 30, 2017, the Company had \$2,156, \$12,996, and \$3,057 (unaudited), respectively, in money market accounts carried at fair value (Level 1) and marketable securities of \$43,667 (Level 2).

### Revenue Recognition

Net revenues for the periods presented were comprised of the following:

	Year Ended December 31,		Nine Months Ended September 30,	
	2016	2015	2017 (Unaudited)	2016
Media agency revenues	\$8,404	\$13,887	\$ 9,926	\$6,197
SaaS revenues	507	41	988	211
Total net revenues	<u>\$8,911</u>	<u>\$13,928</u>	<u>\$10,914</u>	<u>\$6,408</u>

#### Media Agency Revenues

The Company generates revenues primarily from services performed under advertising contracts. The Company's contracts typically provide for the Company to receive a percentage of the total fees for the advertising placements of its customers. Media providers, such as radio stations, are required to provide proof of service that the advertising was run or aired before the Company can invoice its customers. Under the advertising contracts, the Company is deemed to be an agent and, as such, presents revenues on a net basis, reflecting the percentage of the total fees earned by the Company.

Revenue is recognized when the advertisement is aired by the media provider in accordance with the client arrangement. Prior to recognizing revenue, persuasive evidence of an arrangement must exist, the sales price must be fixed or determinable, performance by the media provider must be completed in accordance with the client arrangement, and collection must be reasonably assured. Expenditures billable to clients are primarily comprised of production and media costs that have been incurred but have not yet been billed to clients, as well as fees that have been earned which have not yet been billed to clients. Unbilled amounts are presented in expenditures billable to clients regardless of whether they relate to our fees or production or media costs.

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## **Table of Contents**

The Company's customers are often required to make a deposit or pre-pay the media advertising plan. Such amounts are reflected as customer advances on the Company's consolidated balance sheets until all revenue recognition criteria have been met.

During the years ended December 31, 2016 and 2015, the Company made \$75,074 and \$109,919 in gross media placements, including \$64,923 and \$98,631 billed directly to customers, respectively. Of the amounts billed directly to customers, \$56,519 and \$85,050 represented media-related costs netted against billings during the years ended December 31, 2016 and 2015, respectively. For the nine months ended September 30, 2017 and 2016, the Company made \$87,756 (unaudited) and \$53,910 (unaudited) in gross media placements, of which \$74,717 (unaudited) and \$46,496 (unaudited), respectively, were billed directly to customers. Of the amounts billed directly to customers, \$64,791 (unaudited) and \$40,299 (unaudited) represented media-related costs netted against billings for the nine months ended September 30, 2017 and 2016, respectively.

### ***SaaS Revenues***

The Company also derives its revenue from software-as-a-service (SaaS) offerings and time-based software subscriptions. The Company recognizes revenue when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable, and collection is reasonably assured.

SaaS revenue arrangements and time-based software subscriptions typically have an initial term ranging in duration from three to 24 months and are renewable on an annual basis. The Company allocates the value of the SaaS arrangement to each separate unit of accounting based on the best estimated selling price. Revenue allocated to the SaaS/software subscription element is recognized ratably over the non-cancellable term of the SaaS/subscription service. The Company recognizes revenue allocated to other units of accounting included in the arrangement upon the earlier of the completion of the service or the expiration of the customer's right to receive the service. Customers are billed in arrears via invoices for services used. Customers have contracts that provide for a minimum monthly commitment.

The Company's arrangements do not contain general rights of return. However, credits may be issued to customers on a case-by-case basis. The contracts do not provide customers with the right to take possession of the software supporting the applications.

### **Accounts Receivable and Expenditures Billable to Clients**

Accounts receivable consisted primarily of amounts due from customers under normal trade terms. Allowances for uncollectible accounts are provided for based upon a variety of factors, including historical amounts written-off, an evaluation of current economic conditions, and assessment of customer collectability. As of December 31, 2016 and 2015, no allowance for doubtful accounts was recorded as all amounts were considered collectible. As of September 30, 2017, an allowance for doubtful accounts was recorded for \$69 (unaudited).

The amounts due from customers under normal trade terms that were not yet billed as of December 31, 2016 and 2015 and September 30, 2017 are reflected as expenditures billable to clients. The balance of expenditures billable to clients can increase or decrease depending upon the timing of when vendor invoices were received for media placements and the timing of when the period end financial statements are prepared.

### **Property, Equipment and Improvements**

Property, equipment and improvements, net are stated at cost. Repairs and maintenance to these assets are charged to expense as incurred; major improvements enhancing the function and/or useful life are capitalized. Depreciation and amortization are computed using the straight-line method over the estimated useful lives (or lease term, if shorter) of the related assets.

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## Table of Contents

The useful lives of property, equipment and improvements, net are as follows:

- Property and equipment—3 years
- Leasehold improvements—5 years or the remaining life of the lease, whichever is shorter

The Company assesses the recoverability of property, equipment and improvements whenever events or changes in circumstances indicate that their carrying value may not be recoverable. There was no impairment of property, equipment and improvements for the periods presented.

### **Patents**

The Company and certain of its subsidiaries currently have registered or have applied for 87 patents in the United States and a number of foreign countries. Costs related to filing and pursuing patent applications are charged to expense as incurred, as recoverability of such expenditures is uncertain. On July 15, 2014, the Company capitalized \$1,500 of patent development costs as the result of the acquisition of NM. The Company evaluates its patents typically in the fourth quarter of each year for impairment, or more frequently if indicators are present or changes in circumstances suggest that impairment may exist. See Note 3—Property, Equipment, Improvements and Intangible Assets for further details.

### **Stock-Based Compensation**

The Company recognizes stock based compensation expense related to grants to employees based on grant date fair values of the stock options and restricted stock granted, amortized over the requisite service period.

Tax benefits related to stock-based compensation are recognized as a reduction to deferred taxes until the related tax deductions reduce current income taxes. When such event occurs, the tax benefits are then recognized through additional paid in capital. The Company allocates the tax benefits based on the provisions in the tax laws that identify the sequence in which the amounts are utilized for tax purposes. See Note 5—Stockholders' Equity (Deficit).

### **Software Development Costs**

Software development costs required to be capitalized under ASC 985-20, Costs of Software to be Sold, Leased, or Marketed, or under ASC 350-40, Internal-use Software, were not material to our financial statements in 2016. In 2015, the Company capitalized software development costs once technological feasibility for its platform was established. The Company followed ASC 985-20 in accounting for the 2015 software development costs. Software development costs are amortized on a straight-line basis over their estimated useful life, generally three to five years. Management evaluates the useful lives of these assets on an annual basis and tests for impairment whenever events or changes in circumstances occur that could impact the recoverability of these assets. There were no impairments to software development costs for the periods presented.

## Table of Contents

### **Other Income (Expense), Net**

Other income (expense), net for the years ended December 31, 2016 and 2015 and the nine-month periods ended September 30, 2017 and 2016 were comprised of the following:

	Years Ended December 31,		Nine Months Ended September 30,	
	2016	2015	2017 (unaudited)	2016 (unaudited)
Interest income (expense), net	\$(3,890)	\$ 17	\$ (4,198)	\$(1,341)
Stock warrants issued	—	—	(5,790)	—
Write-off of deferred debt discounts and issuance costs	—	—	(10,132)	—
Write-off of legal fees in connection with the Primary Warrant	—	—	—	(253)
Gain on fair value change of warrant liability	950	—	7,114	117
Other	(253)	68	134	(6)
Other income (expense), net	<u>\$(3,193)</u>	<u>\$ 85</u>	<u>\$(12,872)</u>	<u>\$(1,483)</u>

Interest income (expense), net for the year ended December 31, 2016 and 2015 and the nine-month period ended September 30, 2017 and 2016 included amortization of deferred debt discounts and issuance costs of \$3,603 and \$0, respectively, and \$3,740 and \$1,271, respectively, related to the Company's convertible notes payable.

### **Income Taxes**

The Company accounts for income taxes using the asset and liability method. Under this method, deferred tax assets and liabilities are established for temporary differences between the financial reporting basis and the tax basis of the Company's assets and liabilities at tax rates expected to be in effect when such temporary differences are expected to reverse.

The Company assesses the likelihood that the deferred tax assets will be recovered from future taxable income and, if recovery is not more likely than not, the Company establishes a valuation allowance to reduce the deferred tax assets to the amounts expected to be realized. Realization of the deferred tax assets is dependent on the Company generating sufficient taxable income in future years to obtain a benefit from the reversal of temporary differences and from net operating losses.

The Company utilizes a two-step approach to recognizing and measuring uncertain tax positions. The first step is to determine whether the weight of available evidence indicates it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes. If the first test is met, then the second step is to measure the tax benefit as the largest amount which is more than 50% likely of being realized upon ultimate settlement. As of December 31, 2016 and September 30, 2017 (unaudited), no liabilities were required to be recorded related to tax positions taken.

### **Debt Issuance Costs**

The Company defers and amortizes fees paid in connection with the issuance of the convertible note payable. These fees are amortized using a method that approximates the effective interest method over the term of the related financing. The unamortized debt issuance cost is netted against the principal amount of the convertible note payable.

### **Discounts for Debt and Redeemable Convertible Stock**

The Company amortizes debt discounts over the term of the debt using a method that approximates the effective interest method. The Company amortizes redeemable convertible stock discounts from the issuance date to the earliest redemption date using a method that approximates the effective interest method.

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## [Table of Contents](#)

### **Concentration of Risk**

The Company places its cash and cash equivalents with what management believes are quality financial institutions in the United States. At times, the value of the United States deposits exceed federally insured limits. The Company has not experienced any losses in such accounts.

Two customers accounted for approximately 30% of the Company's net revenues for the year ended December 31, 2016. These same customers accounted for \$939, respectively, of the Company's accounts receivable balance as of December 31, 2016. The Company had three vendors which accounted for \$5,220 of its accounts payable balance as of December 31, 2016.

Two customers accounted for approximately 43% of the Company's net revenues for the year ended December 31, 2015. These same customers accounted for \$3,352 of the Company's accounts receivable balance as of December 31, 2015. The Company had three vendors which accounted for \$10,019 of its accounts payable balance as of December 31, 2015.

Two customers accounted for approximately 28% (unaudited) and 30% (unaudited) of the Company's net revenues for the nine months ended September 30, 2017 and 2016. These same customers accounted for \$5,392 (unaudited) of the Company's accounts receivable balance as of September 30, 2017. The Company had three vendors which accounted for \$4,268 (unaudited) of its accounts payable balance as of September 30, 2017.

### **Earnings Per Share**

Basic and diluted net loss per common share is presented in conformity with the two-class method. Holders of Series A, A-1, and B preferred stock are each entitled to receive cumulative dividends at a rate of eight percent per year, payable prior to any dividends on the Company's common stock. In the event a dividend is paid on common stock, the holders of redeemable convertible preferred stock are entitled to a proportionate share of any such dividend as if they were holders of common stock on an as-converted to common stock basis.

Under the two-class method, basic net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding. Net loss attributable to common stockholders is calculated as net loss less current period redeemable convertible preferred stock dividends and accretion. Diluted net loss per share attributable to common stockholders is computed by dividing the net loss attributable to common stockholders by the weighted-average number of shares of common stock outstanding, including potential dilutive shares of common stock assuming the dilutive effect of redeemable convertible preferred stock and outstanding stock options and warrants using the treasury stock method or if-converted method, whichever is more dilutive. As the Company reported net losses attributable to common stockholders for all periods presented, all potentially dilutive shares of common stock are antidilutive for such periods.

## Table of Contents

The following table presents the computation of basic and diluted net loss per common share:

	Year Ended December 31,		Nine Month Ended September 30,	
	2016	2015	2017	2016
(Unaudited)				
Historical net loss per share				
Numerator				
Net loss	\$ (26,979)	\$ (6,210)	\$ (46,811)	\$ (17,915)
Accretion of redeemable convertible preferred stock	(3,204)	(3,330)	(4,470)	(2,383)
Net loss attributable to common stockholders	<u>\$ (30,183)</u>	<u>\$ (9,540)</u>	<u>\$ (51,281)</u>	<u>\$ (20,298)</u>
Denominator				
Weighted-average common shares outstanding	2,205,577	1,631,660	8,820,609	2,068,164
Less: Weighted-average shares subject to repurchase	<u>(137,243)</u>	<u>(214,928)</u>	<u>(180,431)</u>	<u>(110,568)</u>
Denominator for basic and diluted net loss per share attributable to common stockholders	<u>2,068,334</u>	<u>1,416,732</u>	<u>8,640,178</u>	<u>1,957,596</u>
Basic and diluted net loss per share attributable to common stockholders	<u>\$ (14.59)</u>	<u>\$ (6.73)</u>	<u>\$ (5.94)</u>	<u>\$ (10.37)</u>

Potentially dilutive securities that were not included in the calculation of diluted net loss per share attributable to common stockholders because their effect would be anti-dilutive are as follows (in common equivalent shares):

	Year Ended December 31,	
	2016	2015
Common stock subject to repurchase	208,885	79,650
Common stock options	680,437	634,198
Warrants to purchase common stock	2,493,449	—
Shares issuable upon conversion of the convertible note payable	1,490,651	—
Redeemable convertible preferred stock	<u>5,083,932</u>	<u>4,708,398</u>
	<u>9,957,354</u>	<u>5,422,246</u>

  

	Nine Months Ended September 30,	
	2017	2016
(Unaudited)		
Common stock options	2,636,548	660,762
Warrants to purchase common stock	987,200	1,185,214
Shares issuable upon conversion of convertible to note payable	—	736,076
Shares issuable upon conversion of redeemable convertible preferred stock	—	4,830,323
Total	<u>3,623,748</u>	<u>7,412,375</u>

### Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers (Topic 606) (ASU 2014-09), which amends the existing accounting standards for revenue recognition. ASU 2014-09 is based on principles that govern the



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## Table of Contents

recognition of revenue at an amount that the entity expects to be entitled to receive when products are transferred to customers. ASU 2014-09 will be effective for the Company in its year ended December 31, 2019, and for interim periods beginning in its first quarter of 2020. Early adoption is permitted. Subsequently, the FASB has issued the following standards related to ASU 2014-09: ASU No. 2016-08, Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (ASU 2016-08); ASU No. 2016-10, Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing (ASU 2016-10); and ASU No. 2016-12, Revenue from Contracts with Customers (Topic 606): Narrow-Scope Improvements and Practical Expedients (ASU 2016-12). The Company must adopt ASU 2016-08, ASU 2016-10 and ASU 2016-12 with ASU 2014-09 (collectively, the new revenue standards). The new revenue standards may be applied retrospectively to each prior period presented or prospectively with the cumulative effect recognized as of the date of adoption. The Company is currently evaluating the timing of its adoption and the impact of adopting the new revenue standards on its consolidated financial statements.

In August 2014, the FASB issued ASU 2014—15, “Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern,” which requires management to perform interim and annual assessments of an entity’s ability to continue as a going concern (meet its obligations as they become due) within one year after the date that the financial statements are issued. If conditions or events raise substantial doubt about the entity’s ability to continue as a going concern, certain disclosures are required. This ASU has been adopted and the provisions of this update are reflected in its accompanying consolidated financial statements as of December 31, 2016.

In April 2015, the FASB issued ASU 2015-03, “Interest—Imputation of Interest,” which requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and shall not be classified as a deferred charge or deferred credit. The recognition and measurement guidance for debt issuance costs are not affected by the amendments of this update. This ASU has been adopted and the provisions of this update are reflected in the accompanying consolidated financial statements as of December 31, 2016.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842).” The amendments under this pronouncement will change the way all leases with duration of one year or more are treated. Under this guidance, lessees will be required to capitalize virtually all leases on the balance sheet as a right-of-use asset and an associated financing lease liability or capital lease liability. The right-of-use asset represents the lessee’s right to use, or control the use of, a specified asset for the specified lease term. The lease liability represents the lessee’s obligation to make lease payments arising from the lease, measured on a discounted basis. Based on certain characteristics, leases are classified as financing leases or operating leases. Financing lease liabilities, those that contain provisions similar to capitalized leases, are amortized in the same manner as capital leases are amortized under current accounting rules, as amortization expense and interest expense in the statement of operations. Operating lease liabilities are amortized on a straight-line basis over the life of the lease as lease expense in the statement of operations. This update is effective for annual reporting periods beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. The Company is currently evaluating the impact this standard will have on its policies and procedures pertaining to its existing and future lease arrangements, disclosure requirements and on its consolidated financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (ASU 2016-09). The standard is intended to simplify several areas of accounting for share-based compensation arrangements, including the income tax impact, classification on the statement of cash flows and treatment of forfeitures. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, and early adoption is permitted. The Company is currently evaluating the potential impact that this new standard will have on its consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, “Statement of Cash Flows (Topic 230),” a consensus of the FASB’s Emerging Issues Task Force,” which provides guidance intended to reduce diversity in practice in how

## Table of Contents

certain transactions are classified in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. This adoption is not expected to have any significant impact on the Company's consolidated financial statements.

In May 2017, the FASB issued ASU No.2017-09, "Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting," which amends the scope of modification accounting for share-based payment arrangements. Under the standard, an entity should not apply modification accounting if the fair value, vesting conditions, and classification of the awards are the same immediately before and after the modification. The current disclosure requirements in Topic 718 still applies regardless of whether an entity is required to apply modification accounting under the amendments in this update. The standard is effective for the Company beginning the first quarter of 2018, with early adoption permitted. The Company does not expect the adoption of ASU 2017-09 will have a material impact on its consolidated financial statements.

### NOTE 3. PROPERTY, EQUIPMENT, IMPROVEMENTS AND INTANGIBLE ASSETS

Property, equipment and improvements consisted of the following:

	As of December 31,		As of September 30, 2017
	2016	2015	(Unaudited)
Property and equipment	\$ 164	\$ 116	\$ 169
Leasehold improvements	12	12	23
	176	128	192
Less: accumulated depreciation	(108)	(76)	(140)
Property, equipment and improvements, net	<u>\$ 68</u>	<u>\$ 52</u>	<u>\$ 52</u>

Depreciation expense was \$32 and \$26 for the years ended December 31, 2016 and 2015, respectively. Depreciation expense was \$32 (unaudited) and \$21 (unaudited) for the nine months ended September 30, 2017 and 2016, respectively.

#### Patents

In March 2016, the Company stopped pursuing a patent for technology it acquired in 2014 and as a result, it recorded a charge of \$500 in general and administrative expenses in its statement of operations to fully impair the patent. In July 2015, the Company stopped pursuing a patent for technology it acquired in July 2014 and, as a result, it recorded a charge of \$500 in general and administrative expenses in its statement of operations to fully impair the patent.

#### Capitalized Software

Capitalized software consisted of the following:

	As of December 31,		September 30, 2017
	2016	2015	(Unaudited)
Capitalized software	\$ 471	\$ 471	\$ 471
Less: accumulated amortization	(150)	(31)	(294)
Capitalized software, net	<u>\$ 321</u>	<u>\$ 440</u>	<u>\$ 177</u>

Amortization expense related to capitalized software costs was \$119 and \$31 for the years ended December 31, 2016 and 2015. Amortization expense related to capitalized software costs was \$145 (unaudited)

and \$71 (unaudited) for the nine months ended September 30, 2017 and 2016. The expected annual amortization expense related to capitalized software costs as of December 31, 2016 is \$193 in 2017 and \$128 in 2018, for a total expected amortization expense of \$321.

**NOTE 4. REDEEMABLE CONVERTIBLE PREFERRED STOCK**

As of December 31, 2016, the Company had authorized 11,500,000 shares of redeemable convertible preferred stock (collectively the Preferred Stock), par value \$0.001 per share, 8,333,334 of which were designated as Series A preferred stock and 3,092,781 shares were designated as Series B preferred stock. The remaining 73,885 shares of preferred stock are available for future issuances in one or more series.

In connection with the RAC and NM transactions the Company issued 2,666,667 and 3,000,000 shares of Series A-1 preferred stock and Series A preferred stock, respectively. In July 2014, the Company also issued 3,092,781 shares of Series B preferred stock at \$4.85 per share for gross proceeds of approximately \$15,000. On July 15, 2016, all outstanding shares of Series A-1 preferred stock were converted on a one-for-one basis into shares of Series A preferred stock.

Each share of the Redeemable Convertible Preferred Stock has a liquidation preference equal to the applicable original issue price of each series, plus an eight percent compounded annual return, subject to adjustment for stock dividends, splits, combinations, recapitalizations and the like with respect to such shares. The preferred stock is redeemable at any time after July 15, 2019 if the holders of the minimum number of outstanding shares make that election. The Series A minimum is 65 percent of the outstanding shares, and the Series B minimum is 67 percent of the outstanding shares. The redemption price of the preferred stock would be equal to the greater of the liquidation price or a mutually agreed upon value or the value determined by a mutually selected appraiser. The liquidation price is equal to the original issue price increased by the annual liquidation preference of eight percent, compounded annually. As of December 31, 2016 and 2015, the holders of Series B preferred stock had a liquidation preference over the holders of Series A preferred stock and Series A-1 preferred stock and common stock by approximately \$5.86 and \$5.43 per share, respectively. As of December 31, 2016 and 2015, the holders of Series A preferred stock had a liquidation preference over the holders of common stock by approximately \$2.14 and \$1.98 per share, respectively. As of December 31, 2015, the holders of Series A-1 preferred stock had a liquidation preference over the holders of common stock by approximately \$1.98 per share.

The Redeemable Convertible Preferred Stock is convertible into the Company's common stock at the option of the holders. Also, the Redeemable Convertible Preferred Stock will automatically convert into the Company's common stock upon a public offering with gross proceeds of at least \$15,000. In the conversion to common stock, the holders of the redeemable convertible preferred stock will receive one share of the Company's common stock for each share of redeemable convertible preferred stock multiplied by the share's liquidation preference divided by its original issue price.

As of December 31, 2016 and 2015, each share of Series B preferred stock was convertible into approximately 0.73 and 0.67 shares of common stock, respectively and each share of Series A preferred stock was convertible into approximately 0.73 and 0.67 shares of common stock, respectively. As of December 31, 2015, each share of Series A-1 preferred stock was convertible into approximately 0.67 shares of common stock.

If upon any liquidation event, funds and assets are insufficient to permit full payment of the liquidation preference of all shares of Series B preferred stock, then the remaining available funds and assets shall be distributed entirely to the holders of Series B preferred stock. Similarly, if upon any liquidation event, and after full payment to Series B preferred stock, remaining funds and assets are insufficient to permit full payment of the liquidation preference of all shares of Series A preferred stock, then the remaining available funds and assets shall be distributed pro-rata between the holders of Series A preferred stock. After the payment in full of the foregoing liquidation preferences, any remaining assets of the Company shall be distributed with equal

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## Table of Contents

priority and pro-rata (on an as converted to common stock basis) among the holders of the Company's common stock and preferred stock provided that if each share of Series B and Series A preferred stock has received its respective Maximum Participation Amount (as described below), then such holder of each share of such preferred stock shall be entitled to receive upon liquidation, the greater of (A) the Maximum Participation Amount for such share of preferred stock, and (B) the amount such holder would have received for such share of preferred stock if all shares of such preferred stock had been converted into common stock immediately prior to such liquidation. The Maximum Participation Amount for all outstanding preferred stock is equal to two times the Original Issue Price for each series of outstanding preferred stock. The original issue price for the Series A and Series B preferred stock was approximately \$1.76 and \$4.85 per share.

The holders of the Redeemable Convertible Preferred Stock are entitled to receive non-cumulative dividends in an amount equal to or greater than those declared to holders of common stock out of funds legally available if and only when declared by the Board of Directors. No dividends were declared during the periods presented. As of December 31, 2016, the holders of Series B preferred stock, voting as a separate class, were entitled to elect two members of the Board of Directors, the holders of Series A preferred stock, voting together as a separate class, were entitled to elect one member of the Board of Directors, and the two remaining members of the Board of Directors were voted on by the holders of common stock.

The holders of the Redeemable Convertible Preferred Stock also have certain protective covenants, which generally restrict changes to the debt or capital structure of the Company without the approval of the majority of such holders.

The Series B preferred stock was recorded at the amount of the cash received at the date the shares were issued, with an offset for stock issuance costs. Stock issuance costs are amortized using a method that approximates the effective interest method over the term of the related financing. In the Company's financial statements, the value of the Series B Preferred Stock is accounted for as temporary equity and is increased each period by the liquidation preference and by the amortization of the stock issuance costs over a five-year life, at which point the Series B preferred stock holders have the right of redemption. The liquidation preference and the amortization of stock issuance costs are reflected as accretion of redeemable convertible preferred stock on the statements of operations and are accounted for as an increase to net loss attributable to common shareholders.

The Series A-1 preferred stock was issued to the holders of RAC's common stock. RAC was under common control with the Company, and RAC had a net book value accumulated deficit. Following the guidance of ASC 805-50, the assets and liabilities of RAC were recorded by the Company at their historical basis, and the Series A-1 preferred stock and common stock issued to the RAC shareholders was assigned no value at the merger date. The Company recorded a charge to its additional paid in capital to complete the accounting for the RAC merger. In the Company's financial statements, the Series A-1 preferred stock is accounted for as temporary equity and is increased each period to reflect the increased liquidation preference and the amortization of the discount recorded at the RAC merger date associated with the RAC accumulated deficit at that date over a five-year period, at which point the Series A-1 preferred stockholders have the right of redemption. The liquidation preference and the amortization of discount are reflected as accretion of redeemable convertible preferred stock in the statements of operations and are accounted for as an increase to net loss attributable to common shareholders.

The Series A preferred stock, along with shares of the Company's common stock, were issued to the holders of NM's common stock in exchange for NM's assets. NM was under common control with the Company, and NM's assets had a net book value of \$1,500. Following the guidance of ASC 805-50, the assets and liabilities of NM were recorded by the Company at their historical basis, and the Series A preferred stock and common stock issued to the NM shareholders were assigned values at the merger date based on the relative fair value of the preferred stock and common stock issued. The fair value attributed to the Series A preferred stock was less than its original issue price of approximately \$1.76 per share. The Series A preferred stock is accounted for as temporary equity and is increased each period to reflect the increased liquidation preference and the amortization of the discount to the original issue price over a five-year life, at which point the Series A preferred stockholders

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## Table of Contents

have the right of redemption. The liquidation preference and the amortization of discount are reflected as accretion of redeemable convertible preferred stock on the statements of operations and are accounted for as an increase to net loss attributable to common shareholders.

Concurrent with the closing of the IPO on May 17, 2017, the Series B Preferred Stock, which had a liquidation preference of \$18,668 and a net book value of \$18,463, was automatically converted into 2,309,135 shares of the Company's common stock, and the Series A Preferred Stock, which had a liquidation preference of \$8,598 and a net book value of \$6,272, was automatically converted into 2,922,798 shares of the Company's common stock. The differences between the liquidation preference and book value of the Series B and Series A Preferred Stock of \$205 and \$2,326, respectively, were recorded as a debit to accretion of redeemable convertible preferred stock in the Company's condensed statement of operations for the nine months ended September 30, 2017 and as an increase to Additional Paid-in Capital in the Company's condensed consolidated balance sheet.

In the nine months ended September 30, 2017, the Company recorded the amount of the beneficial conversion feature of the Series B and Series A Preferred Stock amounting to \$226 and \$328, respectively, as the respective conversion prices for such shares were less than the fair market value of the underlying preferred stock. The beneficial conversion feature resulted in the recording of a discount against the preferred stock and a corresponding credit to the Company's additional paid-in capital. For the nine months ended September 30, 2017, the aggregate amortization of the discount for the Series B and Series A Preferred Stock were \$67 and \$96, respectively, and were presented as an addition to accretion of redeemable convertible preferred stock in the Company's condensed statement of operations for that period. As a result of the conversion of the Series B and Series A Preferred Stock, the Company recorded the write-off of the unamortized portion of the beneficial conversion feature of \$159 and \$232, respectively, as an addition to accretion of redeemable convertible preferred stock in the Company's condensed statement of operations for the nine months ended September 30, 2017.

In May 2017, the Board of Directors and the stockholders of the Company approved the decrease in the Company's authorized preferred stock from 11,500,000 shares to 1,000,000 shares (par value \$0.001 per share), effective following the closing of the IPO and the filing of the Company's amended and restated certificate of incorporation.

### **Redeemable Convertible Preferred Stock Buy-Back**

On April 22, 2015, the Company entered into an asset purchase agreement to repurchase 1,704,060 shares of its SeriesA-1 preferred stock for \$1,418. The Company subsequently retired all such shares.

On July 21, 2015, the Company entered into an agreement to purchase 47,910 shares of its SeriesA-1 preferred stock for \$40. The Company subsequently retired all such shares.

## **NOTE 5. STOCKHOLDERS' EQUITY (DEFICIT)**

### **Common Stock**

As of December 31, 2016, the Company had authorized 38,500,000 shares of common stock, \$0.001 par value per share. In 2016, the Company issued an aggregate of 213,940 shares of restricted common stock to employees under the 2014 Stock Option/Stock Issuance Plan (the Plan). In 2015, the Company issued an aggregate of 108,345 shares of restricted common stock to employees under the Plan.

### **Reverse Split**

In April 2017, the Company's Board of Directors and stockholders approved a 0.6-for-1.0 reverse split of the Company's common stock, which was effected on April 20, 2017 (the "Reverse Split"). In connection with

## Table of Contents

the reverse split, each share of the Company's issued and outstanding common stock was converted and combined into 0.6 shares of common stock. No fractional shares were issued in connection with the reverse split, and any fractional shares resulting from the Reverse Split will be cashed out. The Company has reflected the effect of the Reverse Split in these financial statements as if it had occurred at the beginning of the earliest period presented. As a result of the Reverse Split, the conversion price of each series of preferred stock was proportionally increased.

In May 2017, the Board of Directors and the Company's stockholders approved the increase in the Company's authorized common stock to 75,000,000 shares from 38,500,000 shares (par value \$0.001 per share), effective following the closing of the IPO and the filing of the Company's amended and restated certificate of incorporation.

During the nine months ended September 30, 2017, the Company issued 12,335,519 shares of common, net of 22,018 shares of restricted common stock forfeited by employees and 7,500 shares of common stock it repurchased, as follows:

- (a) 120,000 shares to the Bridge Loan Lenders upon execution of the Note Purchase Agreement in March 2017,
- (b) 90,000 shares in connection with the \$2,000 Bridge Loan borrowings in March and April 2017,
- (c) 2,500,000 shares for the IPO,
- (d) 2,309,135 shares for the conversion of the Series B preferred stock upon public offering,
- (e) 2,922,798 shares for the conversion of the Series A preferred stock upon public offering,
- (f) 2,150,335 shares for the exercise of the Primary Warrant upon public offering,
- (g) 1,523,746 shares for the conversion of the Acacia Note and accrued interest upon the IPO,
- (h) 590,717 shares for the conversion of the Bridge Loan and accrued interest upon the IPO, and
- (i) 90,000 shares in connection with the \$4,000 Bridge Loan borrowing in May 2017.

Also, the Company issued under its 2014 Plan and 2017 Stock Incentive Plan (the "2017 Plan") 9,600 shares of restricted common stock to employees, 42,833 shares of restricted common stock to consultants for payment of services rendered, 12,592 shares of common stock to the Company's CEO as compensation for the second and third quarters of 2017 (see Note 7) and 3,281 shares upon the exercise of stock options.

### ***Common Stock Warrants***

Upon signing of the Investment Agreement and in conjunction with the Company's First Loan with Acacia, the Company issued to Acacia a four-year warrant to purchase a number of shares of its common stock determined by dividing \$700 by an exercise price per share ranging from \$8.0833 to \$13.7323, with the actual exercise price to be determined by the type and/or valuation of its future equity financings. In conjunction with the Second Loan in November 2016, the Company issued to Acacia two additional four-year warrants, each to purchase a number of shares of the Company's common stock determined by dividing \$700 by an exercise price per share ranging from \$8.0833 to \$13.7323, with the actual exercise price to be determined by the type and/or valuation of its future equity financings. In March 2017, in connection with the amendment of the Primary Warrant, each of these warrants was amended to provide that the exercise prices thereof shall be equal to the lower of \$13.6088 or the initial public offering price per share. As a result, upon completion of the IPO on May 17, 2017, each of these three warrants became exercisable to purchase up to 51,437 shares of common stock, or an aggregate of 154,311 shares of common stock, at an exercise price per share of \$13.6088. In addition, upon the automatic exercise in full of the Primary Warrant, the Company issued to Acacia the 10% Warrant, which is a five-year warrant, to purchase 809,400 shares of the Company's common stock at an exercise price of \$13.6088 per share. Fifty percent of the shares under the 10% Warrant vested upon its issuance.

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## **Table of Contents**

and the remaining fifty percent will vest in May 2018. The Company had also issued to the Bridge Loan Lenders in connection with the Bridge Loan warrants to purchase an aggregate of 313,440 shares of the Company's common stock. Such warrants have a term of ten years following the individual issuance dates and have an exercise price per share equal to \$13.6088. In June 2016, the Company issued to Westwood One, Inc. a ten-year warrant to purchase 247,422 shares of its common stock at an exercise price \$8.0833 per share as the Company's exclusive third party affiliate sales representative to market its Platform license agreements to individual radio stations or audio platforms in the United States. As of September 30, 2017, the Company had a total of 1,524,573 of warrants issued and outstanding.

### **Dispute Settlement**

On December 23, 2016, the Company entered into a settlement agreement and release relating to certain claims by a former employee, pursuant to which the Company paid to the former employee a lump sum cash payment of \$350 on January 4, 2017, which included a payment to the former employee to repurchase 7,500 shares of the Company's common stock in the amount of \$56, representing the fair value of such stock at that time. In addition, pursuant to the settlement agreement, Chad Steelberg, the Company's Chairman of the Board and Chief Executive Officer, purchased all of the former employee's membership interests in VIF I, LLC, a minority stockholder in the Company.

### **Share Issuance to Existing Stockholders**

In April 2016, the Company issued 961,835 shares of the Company's common stock valued at \$1.50 per share to an entity beneficially owned by the Company's Chief Executive Officer and President, who are also directors and indirect stockholders of the Company (the Founders). The shares were issued to the Founders in consideration for services rendered to the Company in the first four months of 2016, and the Company recorded stock-based compensation expense of \$1,443 in the year ended December 31, 2016. In April 2016, the Company entered into an agreement with a stockholder who initially dissented to the issuance of shares to the Company's Founders. Pursuant to the agreement, the Company agreed to issue to such stockholder an aggregate of 106,420 shares of the Company's common stock and paid to such stockholder an amount equal to an aggregate of \$287, representing (i) the estimated taxes for the shares to be issued to such stockholder and (ii) the reimbursement of certain legal fees. In addition, the Company has agreed to indemnify such stockholder for any losses, damages and costs associated with certain matters related to the bankruptcy of the Company that owned ROIM, and for any additional taxes that may be incurred by such stockholder in connection with the issuance to such stockholder of the foregoing 106,420 shares of common stock. In connection with the issuance of these shares, the Company recorded an expense of \$159, which is included in general and administrative expense for the year ended December 31, 2016.

### **Common Stock Buy-Back**

On April 22, 2015, the Company entered into an asset purchase agreement pursuant to which the Company purchased 511,218 shares of the Company's common stock for a total purchase price of \$1. The Company subsequently retired all such shares. On July 21, 2015, the Company entered into an asset purchase agreement, pursuant to which the Company purchased 14,373 shares of the Company's common stock for a total purchase price of less than \$1. The Company subsequently retired all such shares.

### **Westwood One Warrants**

On June 14, 2016, the Company entered into an agreement with Westwood One, Inc. (WVO) wherein the Company appointed WVO as its exclusive third party affiliate sales representative to market its Platform license agreements to individual radio stations or audio platforms in the United States. The agreement has an initial term of two years with automatic one year renewal provisions unless either party elects not to renew the agreement. Under the terms of the agreement, the Company will compensate WVO for securing such Platform license

## Table of Contents

agreements through (a) referral fees that range from 10% to 15% of the annual value of the Platform licenses agreements that WWO secures on the Company's behalf, and (b) the issuance of a warrant to purchase shares of the Company common stock. The ten-year warrant provides for the issuance of up to 247,422 shares of the Company common stock at an exercise price equal to the lesser of (a) \$8.0833 per share and (b) the per share price of the Company's Series C preferred stock financing, if applicable. 50% of the shares subject to the warrant shall vest and become exercisable once WWO has secured Platform licenses that cover at least 350 concurrent stations and the remaining 50% vest and become exercisable once WWO has secured Platform licenses that cover a total of at least 700 concurrent stations. The warrant also provides for certain acceleration of vesting in the event that the Company experiences a change of control. As of December 31, 2016, satisfaction of the performance condition to vesting was deemed not probable, and as such no expense has been recognized. The agreement can be terminated by the Company after the first anniversary, upon 120 days' notice, subject to the terms of the agreement. In the event the agreement is terminated, any unvested shares shall be forfeited.

### **Stock-Based Compensation**

In 2014, the Company's Board of Directors and its stockholders adopted the Plan, which was amended in March 2015. The Plan is administered by the compensation committee of the Board of Directors, which determines the recipients and the terms of the awards granted. The Plan provides that awards granted may be options, restricted stock or restricted stock units (collectively the Awards). Stock option awards may be either incentive stock options or non-qualified options. The Awards may be granted to eligible employees, directors and consultants. As of December 31, 2016, an aggregate of up to 3,550,584 shares of common stock were reserved for issuance under the Plan. The Company recognizes compensation expense relating to Awards ratably over the requisite service period, which is generally the vesting period.

During the second quarter of 2017, the Company granted the following equity awards to employees, directors and consultants under the 2014 Plan:

- A total of 2,089,638 time-vested stock options were granted pursuant to the Employment Agreements with Chad Steelberg and Ryan Steelberg, which have an exercise price of \$15.00 per share and a three-year vesting period;
- A total of 1,044,818 performance-based stock options were granted pursuant to the Employment Agreements with Chad Steelberg and Ryan Steelberg, which have an exercise price of \$15.00 per share. The performance-based stock option would vest upon the earlier of (a) the first date on which the market capitalization of the Company's common stock equals or exceeds \$400,000 over five consecutive business days, or (b) five years after the IPO; and
- A total of 666,702 stock options were granted to other employees and directors under the 2014 Plan, which have an exercise price of \$15.00 per share and a four-year vesting period.

The Company's Board of Directors has resolved not to make any further awards under the 2014 Plan following the completion of the Company's IPO. The 2014 Plan will continue to govern all outstanding awards granted thereunder.

In September 2017, the total performance-based stock options of 1,044,818 issued to Chad Steelberg and Ryan Steelberg vested in full, as the Company's market capitalization exceeded \$400,000 over five consecutive business days. Total stock-based compensation expense of \$9,282 was recorded for the performance-based stock options; \$343 and \$8,939 were recorded in the second and third quarters of 2017, respectively.

In April 2017, the Company's Board of Directors and stockholders approved and adopted the 2017 Plan, which became effective upon the execution of the underwriting agreement in connection with the Company's IPO. The 2017 Plan is administered by the compensation committee of the Board of Directors, which determines the recipients and the terms of the awards granted. Under the 2017 Plan, employees, non-employee directors,



## Table of Contents

consultants and advisors may, at the discretion of the plan administrator, be granted options, stock appreciation rights, stock awards and restricted stock units. The Company has initially reserved 2,000,000 shares of its common stock for issuance under the 2017 Plan. The share reserve will increase automatically on the first trading day of January each calendar year, beginning with calendar year 2018, by an amount equal to 3% of the total number of shares of common stock outstanding on the last trading day in December of the immediately preceding calendar year, up to an annual maximum of 750,000 shares.

In the second quarter of 2017, under the 2017 Plan, the Company awarded to members of the Board of Directors 35,576 restricted stock units with a weighted average grant price of \$14.76. In the second and third quarters of 2017, under the 2017 Plan, Chad Steelberg received as compensation 10,121 and 2,471 shares of common stock, respectively, as discussed in Note 7. In the third quarter of 2017, the Company granted 199,350 of stock options to employees, which have an exercise price of \$8.24 per share and a four-year vesting period. As of September 30, 2017, an aggregate of 1,752,482 shares of common stock were available for future grant under the 2017 Plan.

The Company recognizes compensation expense relating to awards granted under the 2014 and 2017 Plans ratably over the requisite service period, which is generally the vesting period. Expected forfeitures (currently at ten percent) are estimated based on historical and estimated future turnover of the Company's employees. The Company's stock-based compensation expense for the year ended December 31, 2016 and 2015, including expense for non-employees and the compensation of the Company's Chief Executive Officer totaled \$1,730 and \$127. The Company's stock-based compensation expense for the nine months ended September 30, 2017 and 2016, including expense for non-employees and the compensation of the Company's Chief Executive Officer totaled \$13,611 (unaudited) and \$1,588 (unaudited), respectively. The stock-based compensation expense recognized for the periods presented below was as follows:

	Year Ended December 31,		Nine Months Ended September 30,	
	2016	2015	2017	2016
				(Unaudited)
Stock-based compensation expense by type of award:				
Restricted stock	\$ 151	\$ 54	\$ 629	\$ 78
Common stock awards	1,442	—	250	1,442
Employee stock purchase plan	—	—	24	—
Stock options	137	73	12,708	68
Total	<u>\$1,730</u>	<u>\$127</u>	<u>\$13,611</u>	<u>\$1,588</u>
Stock-based compensation expense by operating expense grouping:				
Sales and marketing	\$ 71	\$ 80	\$ 276	\$ 51
Research and development	31	20	261	17
General and administrative	1,628	27	13,074	1,520
Total	<u>\$1,730</u>	<u>\$127</u>	<u>\$13,611</u>	<u>\$1,588</u>

### Restricted Stock

Under the 2014 Plan and 2017 Plan, the Company has granted restricted stock that generally vests over four years from the date of the grant, unless the participant's service with the Company is terminated earlier. The fair value of the restricted stock grants was the estimated value per share of common stock at the date of grant determined by using both the option-pricing method (OPM) and probability-weighted expected return method (PWERM).

[Table of Contents](#)

Restricted stock activity for the periods presented was as follows:

	Shares	Weighted Average Grant Date Fair Value
<b>Unvested at December 31, 2014</b>	133,569	\$ 1.50
Granted	108,345	\$ 1.42
Forfeited	(120,696)	\$ 1.43
Vested	(41,568)	\$ 1.50
<b>Unvested at December 31, 2015</b>	79,650	\$ 1.50
Granted	213,940	\$ 4.75
Forfeited	(14,143)	\$ 3.88
Vested	(70,561)	\$ 1.50
<b>Unvested at December 31, 2016</b>	208,886	\$ 4.80
Granted (unaudited)	52,433	\$ 14.79
Forfeited (unaudited)	(22,018)	\$ 8.43
Vested (unaudited)	(78,399)	\$ 7.82
<b>Unvested at September 30, 2017 (unaudited)</b>	<u>160,902</u>	\$ 6.08

At December 31, 2016, total unrecognized compensation cost related to restricted stock was \$885. This is expected to be recognized over a period of 3.2 years. At September 30, 2017, total unrecognized compensation cost related to restricted stock was \$979 (unaudited), which is expected to be recognized over 2.6 years (unaudited).

**Stock Options**

Under the 2014 Plan and 2017 Plan, the Company has granted stock options at exercise prices equal to or greater than the fair value of the common stock on the grant date. These options expire ten years after the grant date and generally vest over a period of four years of continuous service following the vesting commencement date of such option, unless the optionee's continuous service with the Company is terminated earlier, with stock-based compensation expense recognized evenly over the requisite service period.

The fair value for each option granted was determined as of the grant date using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model requires various assumptions, which are noted in the following table:

	Year Ended December 31, 2016	Year Ended December 31, 2015	Nine Months Ended September 30, 2017 (Unaudited)
Expected terms (in years)	5.58 - 6.08	5.28 - 6.07	5.83 - 6.08
Expected volatility	55.00% - 60.00%	55.00%	65%
Risk-free interest rate	1.30% - 1.72%	1.34% - 2.07%	1.89% - 2.20%
Expected dividend yield	—	—	—

The expected term reflects the application of the simplified method. The simplified method defines the expected term as the average of the contractual term of the options and the vesting period for all tranches. The risk-free rate is based on the implied yield of U.S. Treasury notes as of the grant date with a remaining term approximately equal to the expected life of the award. Estimated volatility reflects historical volatility of the shares of publicly-traded peers of the Company until sufficient information regarding the volatility of the Company's shares becomes available. Expected forfeitures are estimated based on historical and estimated future turnover of the Company's employees.

[Table of Contents](#)

The following is a summary of the Company's stock option activity:

	Options	Exercise Price	Weighted-Average	
			Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding at January 1, 2015	588,007	\$ 1.50	9.68 years	\$ —
Options granted	236,799	\$ 1.50		
Options forfeited / cancelled	(190,608)	\$ 1.50		
Outstanding at December 31, 2015	634,198	\$ 1.50	8.84 years	\$ —
Options granted	317,931	\$ 3.82		
Options exercised	(51,507)	\$ 1.50		
Options forfeited / cancelled	(220,188)	\$ 1.50		
Outstanding at December 31, 2016	680,434	\$ 2.27	8.49 years	\$ 3,031
Options Granted (unaudited)	4,000,508	\$ 14.66		
Options Exercised (unaudited)	(3,281)	\$ 1.70		
Options Forfeited / Cancelled (unaudited)	(115,719)	\$ 8.56		
Outstanding at September 30, 2017 (unaudited)	<u>4,561,942</u>	\$ 12.99	8.98 years	\$ 155,197
Exercisable at September 30, 2017 (unaudited)	<u>1,661,125</u>			

The aggregate intrinsic value in the table above represents the difference between the fair value of the Company's common stock and the average option exercise price multiplied by the number of in-the-money options. At December 31, 2016, total unrecognized compensation expense related to stock options was \$570. This is expected to be recognized over a weighted average period of 3.5 years. At September 30, 2017, total unrecognized compensation expense related to stock options was \$22,429 (unaudited) and is expected to be recognized over a weighted average period of 2.5 years (unaudited).

**NOTE 6. PROVISION FOR INCOME TAXES**

The provision for income taxes consisted of the following for the years ended December 31, 2016 and 2015:

	Year Ended December 31,	
	2016	2015
Current:		
Federal	\$ —	\$ —
State taxes	6	5
Total current	<u>6</u>	<u>5</u>
Deferred:		
Federal	(6,658)	(1,765)
State taxes	42	(503)
	<u>(6,616)</u>	<u>(2,268)</u>
Change in valuation allowance	6,616	2,268
Total deferred	<u>—</u>	<u>—</u>
Provision for income taxes	<u>\$ 6</u>	<u>\$ 5</u>

## Table of Contents

The significant components of the Company's deferred income tax assets and liabilities as of December 31, 2016 and 2015 were as follows:

	As of December 31, 2016	As of December 31, 2015
Deferred tax assets:		
Net operating loss carryforwards and credits	\$ 11,401	\$ 3,024
Stock-based compensation	—	17
Accrued expenses	301	110
Other	66	84
	<u>11,768</u>	<u>3,235</u>
Deferred tax liabilities:		
Convertible note payable	(1,823)	—
Stock-based compensation	(94)	—
	<u>(1,917)</u>	<u>—</u>
Valuation allowance	(9,851)	(3,235)
Total deferred tax assets, net of valuation allowance	<u>\$ —</u>	<u>\$ —</u>

As of December 31, 2016 and 2015, management had applied a full valuation allowance against the net deferred tax assets since it does not believe that it is more likely than not that the Company will realize the net deferred tax assets. The valuation allowance increased by \$6,616 during the year ended December 31, 2016 and by \$2,268 during the year ended December 31, 2015.

As of December 31, 2016, the Company has federal and state net operating loss carryforwards of approximately \$32,589 and \$32,389, respectively. As of December 31, 2015, the Company had federal and state net operating loss carryforwards of approximately \$7,600 and \$7,600, respectively. If not used, these carryforwards will begin to expire in 2034.

The difference between the income tax expense at the federal statutory rate and the Company's effective tax rate from the Company's continuing operations is as follows:

	December 31, 2016	December 31, 2015
Federal Statutory Rate	34.00%	34.00%
State Income Tax Rate, Net of Federal Benefits	(0.14)	5.78
Mark to Market Adjustment on Stock Warrants	1.22	—
Meals and Entertainment and other	1.16	0.01
Change in Valuation Allowance	<u>(36.22)</u>	<u>(39.78)</u>
Effective tax rate	<u>0.02%</u>	<u>0.01%</u>

### NOTE 7. RELATED PARTY TRANSACTIONS

In October 2014, the Company and Steel Ventures, LLC (SVL), an affiliated company whose beneficial owners have significant control over the Company, entered into an Intercompany Administrative Services Agreement (the Service Agreement) effective October 1, 2014 for a two year period, with two two-year renewal options. Pursuant to the Service Agreement, SVL agreed to make its executive management, professional, technical and clerical employees available to the Company to assist in the operation and administration of the Company's business. In addition, SVL agreed to make other services available to the Company through parties other than SVL's personnel. In consideration for the above, SVL invoices the Company allocable costs based on a predefined allocation methodology.

## Table of Contents

During the years ended December 31, 2016 and 2015, the Company incurred fees of \$1,105 and \$1,315, respectively, for services received under the Service Agreement. As of December 31, 2016 and 2015, the Company had a payable balance of \$0 and \$59, respectively, to SVL.

The Company reimbursed Chad Steelberg and Ryan Steelberg for the costs of their healthcare plans. For the years ended December 31, 2016 and 2015, the Company expensed \$54 and \$38 for the cost of such plans, respectively. As of December 31, 2016, the Company recorded an accrual of \$73 related to these healthcare plans.

As discussed in Notes 4 and 5, in 2015 the Company repurchased 1,704,060 shares of its Series A-1 preferred stock for \$1,418 and 511,218 shares of its common stock for \$1. The seller of those shares was Brand Affinity Technologies, Inc. (BAT). Chad Steelberg and Ryan Steelberg were directors of BAT at the time that the Company repurchased those shares.

As discussed in Note 5, in April 2016, the Company issued 961,835 shares of the Company's common stock at \$1.50 per share to an entity beneficially owned by the Founders of the Company. The shares were issued to the Founders in consideration for their services rendered to the Company in the first four months of 2016.

As fully discussed in the Prospectus, pursuant to the Investment Agreement, in August 2016, the Company entered into the Acacia Note, which provided for up to \$20,000 in borrowings through two \$10,000 advances, each bearing interest at the rate of 6.0% per annum. In August 2016, the Company borrowed the First Loan in an amount of \$10,000 that initially had a one-year term and, in November 2016, the Company borrowed the Second Loan, consisting of the remaining \$10,000 under the Acacia Note. The Second Loan also had a one-year term from the date of issuance. Upon the borrowing of the Second Loan, the maturity date of the First Loan was automatically extended to the maturity date of the Second Loan, with both loans becoming due and payable on November 25, 2017. The Acacia Note was amended and restated in March 2017 in connection with the Bridge Loan. Upon the completion of the IPO in May 2017, the outstanding \$20,000 principal and all accrued interest under the Acacia Note were converted into 1,523,746 shares of the Company's common stock at a conversion price per share of \$13.6088. Pursuant to the Investment Agreement, the Company issued to Acacia the five-year Primary Warrant to purchase up to a number of shares of the Company's common stock determined by dividing (i) \$50,000, less all outstanding principal and accrued interest under the Acacia Note, by (ii) an exercise price per share ranging from \$13.3028 to \$13.7323, with the actual exercise price per share to be determined by the amount of principal and accrued interest under the Acacia Note that are converted into the Company's common stock. Upon the completion of the IPO, the Primary Warrant was automatically exercised in full at an exercise price per share equal to \$13.6088. As such, the Company issued to Acacia an aggregate of 2,150,335 shares of the Company's common stock in exchange for cash proceeds of \$29,263.

In addition, in conjunction with the First Loan, the Company issued Acacia a four-year warrant to purchase a number of shares of its common stock determined by dividing \$700 by an exercise price per share ranging from \$8.0833 to \$13.7323, with the actual exercise price to be determined by the type and/or valuation of our future equity financings. In conjunction with the Second Loan in November 2016, the Company issued to Acacia two additional four-year warrants, each to purchase a number of shares of its common stock determined by dividing \$700 by an exercise price per share ranging from \$8.0833 to \$13.7323, with the actual exercise price to be determined by the type and/or valuation of our future equity financings. In March 2017, in connection with the amendment of the Primary Warrant, each of these warrants was amended to provide that the exercise prices thereof shall be equal to the lower of \$13.6088 or the initial public offering price per share. As a result, upon completion of the IPO, each of these three warrants became exercisable to purchase 51,437 shares of common stock, or an aggregate of 154,311 shares of common stock, at an exercise price per share of \$13.6088. Upon the exercise in full of the Primary Warrant in connection with the IPO, the Company issued to Acacia the 10% Warrant, with a term of five years, which provided for the issuance of 809,400 shares of our common stock at an exercise price of \$13.6088 per share, with fifty percent of the shares underlying the 10% Warrant vesting as of the issuance date of the 10% Warrant and the remaining fifty percent of the shares vesting on the first

## Table of Contents

anniversary of the issuance date of the 10% Warrant. Acacia's Chairman of the Board is a member of the Company's Board of Directors.

As discussed in Note 9, the Company entered into the Note Purchase Agreement with Acacia and VLOC, which provided for an \$8,000 line of credit pursuant to Bridge Notes that accrue interest at the rate of eight percent (8%) per year, compounded quarterly, with Acacia and VLOC each purchasing equal amounts of such Bridge Notes. The Company borrowed the initial \$2,000 installment under the Bridge Loan in March 2017, and borrowed the second \$2,000 installment in April 2017. Prior to the completion of the IPO, the Lenders exercised their options to advance the remaining \$4,000 remaining available under the Bridge Loan. Upon the completion of the IPO, all of the \$8,000 principal and all accrued interest under the Bridge Notes were automatically converted into an aggregate of 590,717 shares of the Company's common stock at a conversion price of \$13.6088 per share. In connection with the Bridge Loan, the Company issued an aggregate of 120,000 shares of the Company's common stock to the Lenders upon the execution of the Note Purchase Agreement. In addition, upon the full funding of \$8,000 Bridge Loan, the Company had issued to the Lenders in the aggregate (a) 180,000 shares of the Company's common stock, and (b) fully vested ten year warrants to purchase an aggregate of 313,440 of shares of the Company's common stock. Such warrants have a ten-year term and have an exercise price per share equal to \$13.6088. Acacia's Chairman of the Board is a member of the Company's Board of Directors and Chad Steelberg and Ryan Steelberg, who are executive officers of the Company, collectively own fifty percent of VLOC's membership interests.

In March 2017, the Company entered into employment agreements with Chad Steelberg and Ryan Steelberg, who are executive officers of the Company (see Note 8 for the full discussions of the agreements).

The Company reimburses Chad Steelberg and Ryan Steelberg for the costs of their healthcare plans. For the nine months ended September 30, 2017 and 2016, the Company expensed \$43 and \$59 for the cost of such plans, respectively. As of September 30, 2017 and December 31, 2016, the Company had recorded an accrual of \$0 and \$73, respectively, related to these healthcare plans.

There were no other related party transactions as of December 31, 2016 and 2015 and as of and for the nine months period ended September 30, 2017.

## **NOTE 8. COMMITMENTS AND CONTINGENCIES**

### **Leases**

The Company leases office space under various operating lease agreements expiring through the year 2023. The lease contracts contain provisions for rent escalations during the lease terms. As of December 31, 2016, future minimum rentals under these leases are as follows:

<u>Years Ending December 31,</u>	<u>Minimum Annual Lease Payments</u>
2018	\$ 416
2019	1,510
2020	1,819
2021	1,875
2022	1,833
Thereafter	3,137
	<u>\$ 10,590</u>

Rent expense totaled \$588 and \$430 for the years ended December 31, 2016 and 2015, respectively. Rent expense totaled \$641 (unaudited) and \$439 (unaudited) for the nine months ended September 30, 2017 and 2016, respectively.

### **Settlement Commitment**

On December 23, 2016, the Company entered into a settlement agreement and release relating to certain claims by a former employee, pursuant to which the Company paid to the former employee a lump sum cash payment of \$350 on January 4, 2017, which included a payment to the former employee to repurchase 7,500 shares of the Company's common stock in the amount of \$56, representing the fair value of such stock at that time. In connection with the settlement, in 2016, the Company recorded \$294 in general and administrative expense. In addition, pursuant to the agreement, Chad Steelberg, the Company's Chairman of the Board, Chief Executive Officer and majority stockholder, purchased all of the former employee's membership interests in BV16, LLC, a minority stockholder in the Company.

### ***Stockholders' Employment Agreements***

In March 2017, the Company entered into three-year employment agreements with each of Chad Steelberg, the Company's Chief Executive Officer, and Ryan Steelberg, the Company's President. Under the agreement with Chad Steelberg, as of the end of each calendar quarter during the term of the agreement (following March 31, 2017) during which Chad Steelberg is still employed by the Company, the Company will issue to Mr. Steelberg a number of shares of its common stock calculated by dividing \$125 by the fair market value (as defined in the agreement) of the Company's common stock. The agreement with Ryan Steelberg provides that he shall receive an annual salary of \$350. During the nine months ended September 30, 2017, Chad Steelberg received 12,592 shares of common stock valued at \$250.

The employment agreements also provided that the Company would issue time-based stock options to Chad Steelberg and Ryan Steelberg to allow each of them to purchase a number of shares of the Company's common stock equal to five percent of the fully diluted shares outstanding as of the closing of the Company's IPO. The exercise price per share of such time-based stock option is the IPO price of the Company's common stock (\$15), and such options would vest in monthly increments ratably over the three-year period following the closing date of the IPO (May 17, 2017). In addition, the employment agreements provided that the Company would issue to each of Chad Steelberg and Ryan Steelberg a performance-based stock option, which would allow each of them to purchase a number of shares of the Company's common stock equal to two and one-half percent of the fully diluted shares outstanding as of the closing of the Company's IPO. The performance-based stock option would vest upon the earlier of (a) the first date on which the market capitalization of the Company's common stock equals or exceeds \$400,000 over five consecutive business days, or (b) five years after the IPO. The exercise price of the performance-based awards is the initial public offering price of the Company's common stock (\$15.00). The vesting of the individual time-based and performance-based stock options would end if Chad Steelberg or Ryan Steelberg is no longer in the service of the Company, as defined in the Company's stock plan, subject to acceleration of vesting under certain circumstances as set forth in the option agreements. The stock options issuable under the Employment Agreements with Chad Steelberg and Ryan Steelberg were issued at the time of the pricing of the IPO. The total number of time-vested stock options awarded under these agreements was 2,089,638 and the total number of performance-based options awarded was 1,044,818.

### **NOTE 9. CONVERTIBLE NOTE PAYABLE**

On August 15, 2016, the Company entered into an Investment Agreement with Acacia that provides for Acacia to invest up to \$50,000 in Veritone consisting of both debt and equity components. Pursuant to the Investment Agreement, the Company entered into a Secured Convertible Promissory Note with Acacia (the Convertible Note Payable) that provides for up to \$20,000 in borrowings through two \$10,000 advances, each bearing interest at the rate of 6.0% per annum. On August 15, 2016, the Company borrowed \$10,000 (the First Loan) that had a one year term. On November 25, 2016, the Company borrowed the remaining \$10,000 (the Second Loan) that also had a one year term from the date of issuance. The maturity date of the First Loan automatically extended to the maturity date of the Second Loan. The Convertible Note Payable was secured by substantially all of the Company's assets.

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## Table of Contents

In conjunction with the First Loan, the Company issued Acacia a four-year warrant to purchase a number of shares of the Company's common stock determined by dividing \$700 by an exercise price per share ranging from \$8.0833 to \$13.7333, with the actual exercise price to be determined by the type and/or valuation of its future equity financings. The Company recorded a debt discount equal to the fair value of the four-year warrant. Amortization of the debt discount is calculated using a method that approximates the effective interest method over the life of the loan and charged to interest expense. In addition, Acacia has the right, under certain circumstances, to convert all or a portion of the principal and accrued interest of the First Loan into shares of the Company's common stock (or Series B preferred stock in the event an equity financing has not occurred prior to the maturity date) at a conversion rate that ranges from \$8.0833 to \$13.7333 per share. The conversion price exceeded the value of the Company's common stock at the issuance date.

In conjunction with the Second Loan, the Company issued to Acacia two additional four-year warrants, each to purchase a number of shares of the Company's common stock determined by dividing \$700 by an exercise price per share ranging from \$8.0833 to \$13.7333, with the actual exercise price to be determined by the type and/or valuation of its future equity financings.) In addition, Acacia has the right, under certain circumstances, to convert all or a portion of the principal and accrued interest of the Second Loan into shares of the Company's common stock (or Series B Preferred Stock in the event an equity financing as not occurred prior to the maturity date) at a conversion rate that ranges from \$8.0833 to \$13.7333 per share.

In the event of an initial public offering of the Company's common stock with gross proceeds to the Company of at least \$15,000, all principal and accrued interest under the Convertible Note Payable will automatically convert into shares of the Company's common stock at a conversion price equal to the lower of (i) \$13.6088 per share or (ii) the initial public offering price per share in such offering.

In addition, the Investment Agreement provides for the Company's issuance of a five-year Primary Warrant to Acacia to purchase shares of the Company's common stock in an amount equal to \$50,000, less the amount of the First Loan and Second Loan plus accrued interest outstanding or converted on the exercise date, at per share price ranging from \$13.30 to \$13.7333, with the actual price per share to be determined by the amount of the First and Second Loans that are converted into the Company's common stock. Acacia has the right to exercise the Primary Warrant during the five-year term, provided that Acacia may not exercise the Primary Warrant until the earlier of (i) August 15, 2017 and (ii) the completion of an initial public offering of the Company's common stock. The Company has the right, subject to certain conditions, to require Acacia to exercise the Primary Warrant immediately subsequent to the Company's completion of an initial public offering of the Company's common stock. Upon the exercise of the Primary Warrant, the Company has the obligation to issue to Acacia a 10% Warrant that provides for the issuance of up to 809,400 shares of the Company's common stock at an exercise price of \$13.4237 per share, with 50% of the Acacia 10% Warrant shares vesting as of the issuance date and the remaining 50% vesting one year later. The Primary Warrant was accounted for as a liability because the notional amount of the Primary Warrant is not fixed, and it was recognized at a fair value of \$8,064. The Company recorded the corresponding debit to debt discount. Amortization of the debt discount is calculated using a method that approximates the effective interest method over the life of the loan and charged to interest expense. The Company adjusts the fair value of the Primary Warrant at each balance sheet date, with the change in fair value recorded as a component of other income (expense). As of December 31, 2016, the fair value of the Primary Warrant was \$7,114. The change in the Primary Warrant's fair value was \$950 for the year ended December 31, 2016, which was recognized as a gain in other income.



## Table of Contents

The following table represents a reconciliation of the principal amounts of the First and Second Loans to the Convertible Note Payable included in the consolidated balance sheet as of December 31, 2016:

First Loan principal, August 15, 2016	\$10,000
Second Loan principal, November 25, 2016	10,000
Debt issuance costs, net	(105)
Debt discount associated with stock warrant, net	(6,793)
Accrued interest	286
Convertible Note payable, December 31, 2016	<u>\$13,388</u>

Concurrent with the closing of the IPO on May 17, 2017, the convertible note payable to Acacia (the "Acacia Note"), which had a principal balance of \$20,000 and accumulated accrued interest of \$737, was automatically converted into 1,523,746 shares of the Company's common stock at a conversion price per share of \$13.6088. As a result of the conversion of the Acacia Note, the Company recorded a charge to earnings of \$4,347 representing the write-off of the unamortized balance of debt discounts associated with stock warrants and debt issuance costs which was included in Other Income (Expense) in the Company's condensed consolidated statement of operations for the nine months ended September 30, 2017.

In March 2017, we entered into a Note Purchase Agreement with the Bridge Loan Lenders, which provides for an \$8,000 line of credit. The line of credit accrues interest at the rate of eight percent (8%) per annum, compounded quarterly. The borrowings are due and payable on November 25, 2017, and our obligations under this facility are secured by a security interest in substantially all of our assets, which is of equal priority to the security interests of Acacia under the convertible note payable. We drew down the initial \$2,000 installment under the line of credit upon the execution of the Note Purchase Agreement, and the remaining amounts may be drawn down in tranches of \$2,000 per month commencing April 15, 2017. If the Company's IPO is not completed by April 30, 2017, the Bridge Loan Lenders may, but are not obligated to, continue making advances under the line of credit after that date. Upon the completion of the IPO, the outstanding borrowings, including accrued interest, will automatically be converted into an aggregate of shares of our common stock at a conversion price per share equal to the lesser of (i) \$13.6088 or (ii) the initial public offering price. Immediately prior to the completion of the IPO, the Bridge Loan Lenders will have the option to purchase shares of the Company's common stock at a price per share equal to the lesser of (i) \$13.6088 or (ii) the initial public offering price; the amount of shares available to be purchased will be \$8,000 less the amount of borrowings and accrued interest outstanding under the line of credit. In connection with this financing, we issued an aggregate of 120,000 shares of our common stock to the Bridge Loan Lenders. In addition, upon the funding of each \$2,000 installment, we will issue to the Bridge Loan Lenders, in the aggregate, (a) an additional 45,000 shares of our common stock, and (b) fully vested warrants to purchase a number of shares of our common stock equal to the greater of (i) 60,000 shares of common stock, and (ii) 0.375% of our fully diluted shares outstanding following completion of this offering. Such warrants have a term of ten years following the date of issuance and have an exercise price per share equal to the lower of \$13.6088 or the initial public offering price. The members of VLOC, LLC include entities controlled by Chad Steelberg and Ryan Steelberg, which own 50% of the VLOC, LLC's membership interests, and holders of our redeemable convertible preferred stock.

### NOTE 10. SUBSEQUENT EVENTS

The Company evaluated subsequent events through November 7, 2017, the dates these consolidated financial statements were issued. There were no material subsequent events that required recognition or additional disclosure in the accompanying consolidated financial statements.

**800,000 Shares**



**Common Stock**

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**Prospectus**

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**Roth Capital Partners**

**Craig-Hallum Capital Group**

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**PART II**  
**INFORMATION NOT REQUIRED IN PROSPECTUS**

**Item 13. Other Expenses of Issuance and Distribution.**

The following table indicates the expenses to be incurred in connection with the offering described in this registration statement, other than underwriting discounts and commissions, all of which will be paid by us. All amounts are estimated except the SEC registration fee and the FINRA filing fee.

<u>Item</u>	<u>Amount</u>
SEC registration fee	\$ 2,916
FINRA filing fees	4,013
Accountants' fees and expenses	45,000
Legal fees and expenses	125,000
Underwriters' reimbursable expenses	150,000
Transfer Agent's fees and expenses	5,000
Printing and engraving expenses	100,000
Miscellaneous	73,000
<b>Total Expenses</b>	<b>\$ 504,929</b>

**Item 14. Indemnification of Directors and Officers.**

Section 102 of the Delaware General Corporation Law, or the DGCL, permits a corporation to eliminate the personal liability of directors of a corporation to the corporation or its stockholders for monetary damages for a breach of fiduciary duty as a director, except where the director breached his duty of loyalty, failed to act in good faith, engaged in intentional misconduct or knowingly violated a law, authorized the payment of a dividend or approved a stock repurchase in violation of Delaware corporate law or obtained an improper personal benefit. Our amended and restated certificate of incorporation provides that none of our directors shall be personally liable to us or our stockholders for monetary damages for any breach of fiduciary duty as a director, notwithstanding any provision of law imposing such liability, except to the extent that the DGCL prohibits the elimination or limitation of liability of directors for breaches of fiduciary duty.

Section 145 of the DGCL provides that a corporation has the power to indemnify a director, officer, employee or agent of the corporation, or a person serving at the request of the corporation for another corporation, partnership, joint venture, trust or other enterprise in related capacities against expenses (including attorneys' fees), judgments, fines and amounts paid in settlement actually and reasonably incurred by the person in connection with an action, suit or proceeding to which he or she was or is a party or is threatened to be made a party to any threatened, ending or completed action, suit or proceeding by reason of such position, if such person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, in any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful, except that, in the case of actions brought by or in the right of the corporation, no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to the corporation unless and only to the extent that the Court of Chancery or other adjudicating court determines that, despite the adjudication of liability but in view of all of the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which the Court of Chancery or such other court shall deem proper.

Our amended and restated bylaws provide that we will indemnify each person who was or is a party or threatened to be made a party to any threatened, pending or completed action, suit or proceeding (other than an action by or in the right of us) by reason of the fact that he or she is or was, or has agreed to become, a director or officer, or, while a director or officer, is or was serving, or has agreed to serve, at our request as a director,

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## Table of Contents

officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise (all such persons being referred to as an Indemnitee), or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees), liabilities, losses, judgments, fines and amounts paid in settlement actually and reasonably incurred in connection with such action, suit or proceeding and any appeal therefrom, if such Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, and, with respect to any criminal action or proceeding, he or she had no reasonable cause to believe his or her conduct was unlawful. Our amended and restated bylaws provide that we will indemnify any Indemnitee who was or is a party to or threatened to be made a party to any threatened, pending or completed action or suit by or in the right of us to procure a judgment in our favor by reason of the fact that the Indemnitee is or was, or has agreed to become, a director or officer, or, while a director or officer, is or was serving, or has agreed to serve, at our request as a director, officer, partner, employee or trustee of, or in a similar capacity with, another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against all expenses (including attorneys' fees) actually and reasonably incurred in connection with such action, suit or proceeding, and any appeal therefrom, if the Indemnitee acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, our best interests, except that no indemnification shall be made with respect to any claim, issue or matter as to which such person shall have been adjudged to be liable to us, unless a court determines that, despite such adjudication but in view of all of the circumstances, he or she is entitled to indemnification of such expenses. Notwithstanding the foregoing, to the extent that any Indemnitee has been successful, on the merits or otherwise, he or she will be indemnified by us against all expenses (including attorneys' fees) actually and reasonably incurred in connection therewith. Expenses must be advanced to an Indemnitee under certain circumstances.

We have entered into indemnification agreements with each of our directors and officers. These indemnification agreements require us, among other things, to indemnify our directors and officers for some expenses, including attorneys' fees, judgments, fines and settlement amounts incurred by a director or officer in any action or proceeding arising out of his or her service as one of our directors or officers, or any of our subsidiaries or any other company or enterprise to which the person provides services at our request.

We maintain a general liability insurance policy that covers certain liabilities of directors and officers of our corporation arising out of claims based on acts or omissions in their capacities as directors or officers.

In any underwriting agreement we enter into in connection with the sale of common stock being registered hereby, the underwriters will agree to indemnify, under certain conditions, us, our directors, our officers and persons who control us within the meaning of the Securities Act of 1933, as amended, or the Securities Act, against certain liabilities.

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to our directors, officers and controlling persons pursuant to the foregoing provisions, or otherwise, we have been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. Please read "Item 17. Undertakings" for more information on the SEC's position regarding such indemnification provisions.

### **Item 15. Recent Sales of Unregistered Securities.**

Set forth below is information regarding all securities issued by us within the past three years. Also included is the consideration received by us for such securities, if any, and information relating to the section of the Securities Act, or rule of the SEC, under which exemption from registration was claimed.

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## Table of Contents

*(a) Issuances of Capital Stock:* Since our inception, we have made sales of the following unregistered securities:

1. On July 15, 2014, in connection with the merger of RAC into our company, we issued an aggregate of 800,000 shares of common stock and 2,666,667 shares of Series A-1 preferred stock to an aggregate of nine accredited investors upon conversion of all of the outstanding capital stock of RAC.
2. On July 15, 2014, in connection with our purchase of all of the membership interests of Veritone, LLC, we issued to three accredited investors an aggregate of 900,000 shares of common stock and 3,000,000 shares of Series A preferred stock.
3. On July 15, 2014, we sold an aggregate of 3,092,781 shares of Series B preferred stock to seven accredited investors at a purchase price per share of \$4.85, for an aggregate purchase price of approximately \$15.0 million.
4. On April 5, 2016, we issued an aggregate of 177,367 shares of common stock to an existing stockholder who is an accredited investor, in consideration for certain releases and waivers by such stockholder pursuant to that certain confidential settlement and indemnification agreement. In connection with such agreement, we also issued an aggregate of 961,835 shares of common stock to a limited liability company that is indirectly beneficially owned by our Chief Executive Officer and our President, in consideration for services previously rendered by such officers.
5. On August 15, 2016, we entered into an Investment Agreement with Acacia that provided for Acacia to invest up to \$50 million in our company, consisting of both debt and equity components. Pursuant to the Investment Agreement, on August 15, 2016, we entered into the Acacia Note, which was a convertible secured promissory that provided for up to \$20 million in borrowings through two \$10 million advances, each bearing interest at the rate of 6.0% per annum. On August 15, 2016, we borrowed \$10 million, or the First Loan, that has a one year term and, on November 25, 2016, we borrowed the remaining \$10 million, or the Second Loan, which also had a one year term from the date of issuance. The maturity date of the First Loan was automatically extended to the maturity date of the Second Loan, with both loans becoming due and payable on the first anniversary of the issuance date of the Second Loan. The Acacia Note was secured by substantially all of our assets pursuant to a security agreement that we entered into with Acacia dated August 15, 2016. Upon the completion of our IPO, all outstanding amounts of principal and accrued interest under the Acacia Note were converted into 1,523,746 shares of common stock at a conversion price of \$13.6088 per share. In conjunction with the First Loan, we issued Acacia a four-year warrant to purchase a number of shares of our common stock determined by dividing \$700,000 by an exercise price per share ranging from \$8.0833 to \$13.7323, with the actual exercise price to be determined by the type and/or valuation of our future equity financings. In conjunction with the Second Loan in November 2016, we issued to Acacia two additional four-year warrants, each to purchase a number of shares of our common stock determined by dividing \$700,000 by an exercise price per share ranging from \$8.0833 to \$13.7323, with the actual exercise price to be determined by the type and/or valuation of our future equity financings. In March 2017, we agreed with Acacia to amend these three warrants to provide that the per share exercise prices thereof shall be the lower of \$13.6088 or the initial public offering price. Accordingly, each of these warrants is exercisable to purchase up to 51,437 shares of common stock at an exercise price per share of \$13.6088, all of which warrants are vested and exercisable. In addition, pursuant to the Investment Agreement, we issued to Acacia a five-year warrant, or the Acacia Primary Warrant, to purchase up to a number of shares of our common stock determined by dividing \$50 million, less all converted amounts or payments under the Acacia Note, by an exercise price per share ranging from \$13.3028 to \$13.7323, with the actual price per share to be determined by the amount of principal and accrued interest under the Acacia Note that are converted into our common stock. Upon the exercise of the Acacia Primary Warrant, we issued to Acacia a 10% Warrant that provides for the issuance of up to 809,400 shares of our common stock at an exercise price of \$13.6088 per share, with 50% of the shares underlying the 10% Warrant vesting as of the issuance date of the 10% Warrant and the remaining 50% of the shares vesting on the first anniversary of the issuance date of the 10% Warrant. In March 2017, we amended the terms of the Acacia Primary

## Table of Contents

Warrant to provide that it would be automatically exercised in full upon the completion of our initial public offering, and amended the terms of both the Acacia Primary Warrant and the 10% Warrant to provide that the exercise price per share shall be equal to the lower of \$13.6088 or the initial public offering price. Accordingly, upon the closing of our initial public offering, the Acacia Primary Warrant was automatically exercised to purchase 2,150,335 shares of common stock.

6. In March 2017, we entered into a note purchase agreement with Acacia and VLOC, LLC, which provided for an \$8.0 million line of credit pursuant to secured convertible notes that accrued interest at the rate of eight percent (8%) per annum, compounded quarterly, or the Bridge Notes, with Acacia and VLOC, LLC each purchasing equal amounts of such notes. The Bridge Notes were due and payable on November 25, 2017, and our obligations under such notes were secured by a security interest in substantially all of our assets, which was of equal priority to the security interests of Acacia under the Acacia Note. We borrowed the initial \$2.0 million installment under the line of credit in March 2017, and borrowed the second \$2.0 million installment in April 2017. Immediately prior to the completion of our IPO, the lenders exercised their rights to advance the remaining \$4.0 million available under the Bridge Notes. Upon the completion of our IPO, all of the Bridge Notes were automatically converted into an aggregate of 590,717 shares of our common stock at a conversion price of \$13.6088 per share. In connection with this financing, we issued to the lenders an aggregate of 300,000 shares of our common stock, and fully vested warrants to purchase an aggregate of 313,440 shares of our common stock. Such warrants have a term of ten years following the date of issuance and have an exercise price of \$13.6088 per share.
7. On May 11, 2017, we issued 6,000 shares of common stock to an accredited investor in consideration for investor relations services rendered to our company.

No underwriters were involved in the foregoing issuances of securities. The securities described in Section (a) of this Item 15 were issued to accredited investors in reliance upon the exemption from the registration requirements of the Securities Act, as set forth in Section 4(a)(2) under the Securities Act, relative to transactions by an issuer not involving any public offering, to the extent an exemption from such registration was required.

**(b) Stock Option and Restricted Share Grants.** As of September 30, 2017, we had outstanding options to purchase an aggregate of 4,561,942 shares of common stock granted under our 2014 Plan and 2017 Plan, of which 4,360,749 shares were granted between our inception and May 12, 2017 (the effective date of our Registration Statement on Form S-8 related to our 2014 Plan and 2017 Plan) to certain of our employees, consultants and directors in connection with services provided to us by such persons. The exercise prices for such options ranged from \$1.50 to \$15.00 per share. Options to purchase an aggregate of 54,786 shares of common stock granted since our inception have been exercised through September 30, 2017, of which options to purchase 51,505 shares of common stock were exercised prior to May 12, 2017 at an exercise price of \$1.50 per share for aggregate consideration of \$77,258. From our inception through May 12, 2017, we also issued 641,025 restricted shares of common stock under our 2014 Plan to certain of our employees and consultants in consideration for services rendered to our company, of which 319,553 shares remained issued and outstanding as of September 30, 2017.

The issuances of stock options and restricted shares, and the shares of common stock issuable upon the exercise of the options described in this paragraph (b) of Item 15, were issued pursuant to written compensatory plans or arrangements with our employees, directors and consultants, in reliance on the exemption provided by Rule 701 promulgated under the Securities Act, or pursuant to Section 4(a)(2) under the Securities Act, relative to transactions by an issuer not involving any public offering, to the extent an exemption from such registration was required.

All of the foregoing securities are deemed restricted securities for purposes of the Securities Act. All certificates representing the issued shares of capital stock described in this Item 15 included appropriate legends setting forth that the securities have not been registered and the applicable restrictions on transfer.

**Item 16. Exhibits and Financial Statement Schedules.**

**(a) Exhibits.**

See the Exhibit Index attached to this registration statement, which is incorporated by reference herein.

**(b) Financial Statement Schedules.**

All schedules have been omitted because the information required to be set forth therein is not applicable or is shown in the financial statements or notes thereto.

**Item 17. Undertakings.**

Insofar as indemnification for liabilities arising under the Securities Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the SEC such indemnification is against public policy as expressed in the Securities Act and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question whether such indemnification by it is against public policy as expressed in the Securities Act and will be governed by the final adjudication of such issue.

The undersigned hereby undertakes that:

(1) For purposes of determining any liability under the Securities Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(2) For the purpose of determining any liability under the Securities Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) In a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424;

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
1.1	<a href="#">Form of Underwriting Agreement.</a>
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</a>
3.2	<a href="#">Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</a>
3.3	<a href="#">Third Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed on May 23, 2017).</a>
3.4	<a href="#">Amended and Restated Bylaws of the Registrant (incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed on May 23, 2017).</a>
3.5	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of the Registrant (incorporated by reference to Exhibit 3.5 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 21, 2017).</a>
4.1	<a href="#">Specimen Stock Certificate evidencing the shares of the Registrant's common stock (incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 28, 2017).</a>
4.2	<a href="#">Investor Rights Agreement dated July 15, 2014 among the Registrant and certain of its stockholders, together with Amendment No. 1 thereto (incorporated by reference to Exhibit 4.2 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</a>
4.3	<a href="#">Voting Agreement dated August 15, 2016 between the Registrant and certain of its stockholders (incorporated by reference to Exhibit 4.3 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</a>
5.1	<a href="#">Opinion of K&amp;L Gates LLP.</a>
10.1†	<a href="#">Veritone, Inc. 2014 Stock Option/Stock Issuance Plan (incorporated by reference to Exhibit 10.1 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</a>
10.2†	<a href="#">Amendment to 2014 Plan dated April 27, 2017 (incorporated by reference to Exhibit 10.33 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 28, 2017).</a>
10.3†	<a href="#">Form of Notice of Grant of Stock Option, together with Forms of Stock Option Agreement and Stock Purchase Agreement (for use with the 2014 Plan) (incorporated by reference to Exhibit 10.2 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</a>
10.4†	<a href="#">Form of Stock Issuance Agreement (for use with the 2014 Plan with 83(b) election) (incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</a>
10.5†	<a href="#">Form of Stock Issuance Agreement (annual vesting for use with 2014 Plan without 83(b) election) (incorporated by reference to Exhibit 10.15 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 28, 2017).</a>
10.6†	<a href="#">2017 Stock Incentive Plan (2017 Plan) (incorporated by reference to Exhibit 10.14 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 28, 2017).</a>
10.7†	<a href="#">Form of Notice of Grant of Stock Option, together with Forms of Stock Option Agreement and Stock Purchase Agreement, for use with 2017 Stock Incentive Plan (incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed on June 26, 2017).</a>



## Table of Contents

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.8†	<a href="#"><u>Veritone, Inc. Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.32 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 28, 2017).</u></a>
10.9†	<a href="#"><u>Employment Agreement, dated as of March 14, 2017, between the Registrant and Chad Steelberg (incorporated by reference to Exhibit 10.24 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 21, 2017).</u></a>
10.10†	<a href="#"><u>Employment Agreement, dated as of March 14, 2017, among the Registrant, Veritone One, Inc. and Ryan Steelberg (incorporated by reference to Exhibit 10.25 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 21, 2017).</u></a>
10.11†	<a href="#"><u>Offer Letter with Peter F. Collins, dated October 10, 2016, as amended on January 23, 2017 (incorporated by reference to Exhibit 10.5 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</u></a>
10.12†	<a href="#"><u>Offer Letter with Jeffrey B. Coyne, dated October 13, 2016, as amended on January 23, 2017 (incorporated by reference to Exhibit 10.6 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</u></a>
10.13†	<a href="#"><u>Offer Letter with John A. Ganley, dated May 9, 2017.</u></a>
10.14†	<a href="#"><u>Consulting Agreement dated September 2, 2016 between the Registrant and John M. Markovich (incorporated by reference to Exhibit 10.4 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</u></a>
10.15	<a href="#"><u>Lease Agreement dated July 24, 2017, between the Registrant and PRII/MCC South Coast Property Owner, LLC, for premises located at 575 Anton Boulevard, Costa Mesa, California (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2017 filed on August 8, 2017).</u></a>
10.16	<a href="#"><u>Office Lease Agreement for the property located at 3560 Dunhill Street, San Diego, California dated October 8, 2010 between the Registrant, ROIM Acquisition Corporation and Roselle-Dunhill LLC, together with First Amendment to Lease, Second Amendment to Lease and Consent to Assignment (incorporated by reference to Exhibit 10.8 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</u></a>
10.17	<a href="#"><u>Investment Agreement dated August 15, 2016 between the Registrant and Acacia Research Corporation (Acacia) (incorporated by reference to Exhibit 10.9 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</u></a>
10.18	<a href="#"><u>Secured Promissory Note dated August 15, 2016 issued by the Registrant to Acacia (Acacia Note) (incorporated by reference to Exhibit 10.10 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</u></a>
10.19	<a href="#"><u>Primary Common Stock Purchase Warrant dated August 15, 2016 issued to Acacia, together with form of 10% Warrant to Purchase (incorporated by reference to Exhibit 10.11 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</u></a>
10.20	<a href="#"><u>Common Stock Purchase Warrant dated August 15, 2016 (First Tranche Warrant A) issued to Acacia (incorporated by reference to Exhibit 10.12 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</u></a>
10.21	<a href="#"><u>Amended and Restated Security Agreement dated March 15, 2017 among the Registrant, Acacia and Veritone LOC I, LLC (incorporated by reference to Exhibit 10.13 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 21, 2017).</u></a>
10.22	<a href="#"><u>First Amendment to Acacia Note, dated March 14, 2017 (incorporated by reference to Exhibit 10.16 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 21, 2017).</u></a>

## Table of Contents

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.23	<a href="#"><u>Form of Indemnification Agreement for directors and officers (incorporated by reference to Exhibit 10.17 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 28, 2017).</u></a>
10.24	<a href="#"><u>Asset Purchase Agreement dated April 22, 2015, by and between Brand Affinity Technologies, Inc. and the Registrant (incorporated by reference to Exhibit 10.18 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</u></a>
10.25	<a href="#"><u>Stock Issuance Agreement, dated April 5, 2016, by and between the Registrant and NCI Investments, LLC (incorporated by reference to Exhibit 10.19 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</u></a>
10.26	<a href="#"><u>Joinder Agreement, dated April 5, 2016, among the Registrant, BV16, LLC and NCI Investments, LLC (incorporated by reference to Exhibit 10.20 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</u></a>
10.27	<a href="#"><u>Confidential Settlement and Indemnification Agreement, dated as of March 28, 2016, by and among the Registrant, Chad Steelberg, Ryan Steelberg, NCI Investments, LLC and 125 Media Holdings, LLC (incorporated by reference to Exhibit 10.21 to the Registrant's Registration Statement on Form S-1 (No. 333-216726) filed on March 15, 2017).</u></a>
10.28	<a href="#"><u>Form of Common Stock Purchase Warrant issued under the Note Purchase Agreement (incorporated by reference to Exhibit 10.22 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 21, 2017).</u></a>
10.29	<a href="#"><u>Services Agreement dated August 22, 2016 between the Registrant and Acacia Research Group, LLC (incorporated by reference to Exhibit 10.23 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 28, 2017).</u></a>
10.30	<a href="#"><u>First Amendment to Primary Common Stock Purchase Warrant, dated March 14, 2017, between the Registrant and Acacia (incorporated by reference to Exhibit 10.26 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 21, 2017).</u></a>
10.31	<a href="#"><u>First Amendment to First Tranche Warrant A, dated March 14, 2017, between the Registrant and Acacia (incorporated by reference to Exhibit 10.27 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 21, 2017).</u></a>
10.32	<a href="#"><u>First Amendment to First Tranche Warrant B, dated March 14, 2017, between the Registrant and Acacia (incorporated by reference to Exhibit 10.28 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 21, 2017).</u></a>
10.33	<a href="#"><u>First Amendment to Second Tranche Warrant, dated March 14, 2017, between the Registrant and Acacia (incorporated by reference to Exhibit 10.29 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 21, 2017).</u></a>
10.34	<a href="#"><u>Note Purchase Agreement, dated March 15, 2017, among the Registrant, Acacia and VLOC, LLC (incorporated by reference to Exhibit 10.30 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 21, 2017).</u></a>
10.35	<a href="#"><u>Form of Bridge Note, dated March 15, 2017 issued under the Note Purchase Agreement (incorporated by reference to Exhibit 10.31 to the Registrant's Registration Statement on Form S-1/A (No. 333-216726) filed on April 21, 2017).</u></a>
10.36†	<a href="#"><u>Form of Notice of Grant of Stock Option, together with Forms of Stock Option Agreement and Stock Purchase Agreement, relating to Time-Based Option granted to each of Chad Steelberg and Ryan Steelberg on May 11, 2017 (incorporated by reference to Exhibit 10.1 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed on June 26, 2017).</u></a>

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## Table of Contents

<u>Exhibit Number</u>	<u>Description of Exhibit</u>
10.37†	<a href="#"><u>Form of Notice of Grant of Stock Option, together with Forms of Stock Option Agreement and Stock Purchase Agreement, relating to Performance-Based Option granted to each of Chad Steelberg and Ryan Steelberg on May 11, 2017 (incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2017 filed on June 26, 2017).</u></a>
10.38†	<a href="#"><u>Form of Change in Control (CIC) Addendum to Stock Option Agreement for use in connection with the grant of stock options to certain executive officers under the 2014 Plan.</u></a>
10.39†	<a href="#"><u>Notice of Grant of Stock Option, together with Stock Option Agreement, relating to Stock Options granted to Christopher J. Oates on May 11, 2017.</u></a>
21.1	<a href="#"><u>List of Subsidiaries.</u></a>
23.1	<a href="#"><u>Consent of Marcum LLP.</u></a>
23.2	<a href="#"><u>Consent of K&amp;L Gates LLP (included in Exhibit 5.1).</u></a>
24.1	<a href="#"><u>Power of Attorney (included on signature page).</u></a>
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

† Indicates a management contract or compensatory plan or arrangement

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, as amended, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Costa Mesa, State of California, on this 15th day of November, 2017.

VERITONE, INC.

By: /s/ Chad Steelberg  
Chad Steelberg,  
Chief Executive Officer

**POWER OF ATTORNEY**

KNOW ALL PERSONS BY THESE PRESENTS that each individual whose signature appears below hereby constitutes and appoints Chad Steelberg and Peter Collins and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments, including post-effective amendments, to this registration statement, and to sign any registration statement for the same offering covered by this registration statement that is to be effective upon filing pursuant to Rule 462(b) promulgated under the Securities Act of 1933, as amended, increasing the number of shares for which registration is sought, and all post-effective amendments thereto, and to file the same, with all exhibits thereto and all documents in connection therewith, making such changes in this registration statement as such attorney-in-fact and agent so acting deem appropriate, with the SEC, granting unto said attorney-in-fact and agent, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done with respect to the offering of securities contemplated by this registration statement, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agent or any of them, or his, her or their substitute or substitutes, may lawfully do or cause to be done or by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this registration statement has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Chad Steelberg</u> Chad Steelberg	Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	November 15, 2017
<u>/s/ Ryan Steelberg</u> Ryan Steelberg	President and Director	November 15, 2017
<u>/s/ Peter F. Collins</u> Peter F. Collins	Senior Vice President, Finance and Chief Financial Officer (Principal Financial and Accounting Officer)	November 15, 2017
<u>/s/ Nathaniel Checketts</u> Nathaniel Checketts	Director	November 15, 2017
<u>/s/ Jeff P. Gehl</u> Jeff P. Gehl	Director	November 15, 2017

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[Table of Contents](#)

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ G. Louis Graziadio, III</u> G. Louis Graziadio, III	Director	November 15, 2017
<u>/s/ Knute P. Kurtz</u> Knute P. Kurtz	Director	November 15, 2017
<u>/s/ Christopher J. Oates</u> Christopher J. Oates	Director	November 15, 2017
<u>/s/ Edward J. Treska</u> Edward J. Treska	Director	November 15, 2017
<u>/s/ Frank E. Walsh, III</u> Frank E. Walsh, III	Director	November 15, 2017

Shares  
VERITONE, INC.  
COMMON STOCK  
PAR VALUE \$0.001 PER SHARE  
FORM OF UNDERWRITING AGREEMENT  
, 2017

Roth Capital Partners, LLC  
As Representative of Several Underwriters  
888 San Clemente Drive  
Newport Beach, CA 92660

Ladies and Gentlemen:

Veritone, Inc., a Delaware corporation (the “**Company**”), proposes to issue and sell to the several Underwriters named in Schedule I hereto (the “**Underwriters**”), for whom Roth Capital Partners, LLC (the “**Representative**”) is acting as Representative, an aggregate of \_\_\_\_\_ shares of common stock, par value \$0.001 per share, of the Company (the “**Firm Shares**”).

The Company also proposes to issue and sell to the several Underwriters not more than an additional \_\_\_\_\_ shares of its common stock, par value \$0.001 per share (the “**Additional Shares**”), if and to the extent that the Representative shall have determined to exercise, on behalf of the Underwriters, the right to purchase such shares granted to the Underwriters in Section 2 hereof. The Firm Shares and the Additional Shares are hereinafter collectively referred to as the “**Shares**.” The shares of common stock, par value \$0.001 per share, of the Company to be outstanding after giving effect to the sales contemplated hereby are hereinafter referred to as the “**Common Stock**.”

The Company has filed with the Securities and Exchange Commission (the “**Commission**”) a registration statement, including a prospectus, relating to the offer and sale of the Shares. The registration statement, as such is amended at the time it becomes effective, including the information (if any) deemed to be part of the registration statement at the time of effectiveness pursuant to Rule 430A under the Securities Act of 1933, as amended (the “**Securities Act**”), is hereinafter referred to as the “**Registration Statement**.” The prospectus in the form first used to confirm sales of Shares (or in the form first made available to the Underwriters by the Company to meet requests of purchasers pursuant to Rule 173 under the Securities Act) is hereinafter referred to as the “**Prospectus**.” If the Company has filed a registration statement to register additional shares of Common Stock pursuant to Rule 462(b) under the Securities Act (the “**Rule 462 Registration Statement**”) that relates to the Registration Statement, then any reference herein to the term “Registration Statement” shall be deemed to include such Rule 462 Registration Statement.

For purposes of this Agreement, “**free writing prospectus**” has the meaning set forth in Rule 405 under the Securities Act, “**Time of Sale Prospectus**” means the preliminary prospectus together with the documents and pricing information referred to in Schedule II hereto, and “**broadly available road show**” means a “bona fide electronic road show” as defined in Rule 433(h)(5) under the Securities Act that has been made available without restriction to any person. As used herein, the terms “Registration Statement,” “preliminary prospectus,” “Time of Sale Prospectus” and “Prospectus” shall include the documents, if any, incorporated by reference therein.

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1. *Representations and Warranties of the Company.* The Company represents and warrants to and agrees with each of the Underwriters that:

(a) The Registration Statement has become effective; no stop order suspending the effectiveness of the Registration Statement is in effect, and no proceedings for such purpose are pending before or threatened by the Commission.

(b) (i) The Registration Statement, when it became effective, did not contain and, as amended or supplemented, if applicable, will not contain, as of the date of such amendment or supplement, any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading, (ii) the Registration Statement and the Prospectus comply and, as amended or supplemented, if applicable, will comply in all material respects with the Securities Act and the applicable rules and regulations of the Commission thereunder, (iii) the Time of Sale Prospectus does not, and at the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers and at the Closing Date (as defined in Section 4), the Time of Sale Prospectus, as then amended or supplemented by the Company, if applicable, will not, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, (iv) each broadly available road show, if any, when considered together with the Time of Sale Prospectus, does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading and (v) the Prospectus, as of its date, does not contain and, as amended or supplemented, if applicable, will not contain, as of the date of such amendment or supplement, and as of the Closing Date and each Option Closing Date (as defined in Section 2) any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this paragraph do not apply to statements or omissions in the Registration Statement, the Time of Sale Prospectus or the Prospectus based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representative expressly for use therein.

(c) The Company is not an “ineligible issuer” in connection with the offering pursuant to Rules 164, 405 and 433 under the Securities Act. Any free writing prospectus that the Company is required to file pursuant to Rule 433(d) under the Securities Act has been, or will be, filed with the Commission in accordance with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Each free writing prospectus that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act or that was prepared by or on behalf of or used or referred to by the Company complies or will comply in all material respects with the requirements of the Securities Act and the applicable rules and regulations of the Commission thereunder. Except for the free writing prospectuses, if any, identified in Schedule III hereto, and electronic road shows, if any, each furnished to you before first use, the Company has not prepared, used or referred to, and will not, without your prior consent, prepare, use or refer to, any free writing prospectus.

(d) Marcum LLP (the “**Auditors**”), who has certified certain financial statements of the Company, is an independent registered public accounting firm as required by the Act and the rules and regulations of the Commission thereunder.



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(e) The Company has been duly incorporated, is validly existing as a corporation in good standing under the laws of the State of Delaware, has the corporate power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not reasonably be expected have a material adverse effect on the Company and its subsidiaries, taken as a whole (“**Material Adverse Effect**”).

(f) Each subsidiary of the Company has been duly organized, is validly existing as a corporation or limited liability company, as the case may be, in good standing under the laws of the jurisdiction of its incorporation, has the corporate or other organizational power and authority to own its property and to conduct its business as described in the Time of Sale Prospectus and is duly qualified to transact business and is in good standing in each jurisdiction in which the conduct of its business or its ownership or leasing of property requires such qualification, except to the extent that the failure to be so qualified or be in good standing would not reasonably be expected to have a Material Adverse Effect. All of the issued shares of capital stock or other equity interests of each subsidiary of the Company have been duly and validly authorized and issued, are fully paid and non-assessable and are owned directly by the Company free and clear of all liens, encumbrances, equities or claims.

(g) All corporate action required to be taken by the Company’s Board of Directors and stockholders to authorize the Company to enter into this Agreement and the transactions contemplated hereby has been taken or will be taken prior to the Closing Date and each Option Closing Date, as applicable. All action on the part of the officers of the Company necessary for the execution and delivery of this Agreement, the performance of all obligations of the Company under this Agreement to be performed as of the Closing Date and each Option Closing Date, as applicable, and the issuance and delivery of the Shares has been taken or will be taken prior to the Closing Date and each Option Closing Date, as applicable. This Agreement, when executed and delivered by the Company, shall constitute the valid and legally binding obligation of the Company, enforceable against the Company in accordance with its terms except (i) as limited by applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance, or other laws of general application relating to or affecting the enforcement of creditors’ rights generally, (ii) as limited by laws relating to the availability of applicable equitable remedies, or (iii) to the extent the indemnification provisions contained herein may be limited by applicable federal or state securities law.

(h) As of the Closing Date, the authorized capital stock of the Company will conform to the description thereof contained in each of the Time of Sale Prospectus and the Prospectus.

(i) The shares of Common Stock outstanding prior to the issuance of the Shares have been duly authorized and are validly issued, fully paid and non-assessable.

(j) The Shares have been duly authorized and, when issued, delivered and paid for in accordance with the terms of this Agreement, will be validly issued, fully paid and non-assessable, and the issuance of such Shares will not be subject to any preemptive or similar rights.

(k) The execution and delivery by the Company of, and the performance by the Company of its obligations under, this Agreement will not contravene (i) any provision of applicable law, (ii) the certificate of incorporation or bylaws of the Company, (iii) any agreement or other instrument binding upon the Company or any of its subsidiaries that is material to the Company and its subsidiaries, taken as a whole, or (iv) any judgment, order or decree of any governmental body, agency or court having jurisdiction over the Company or any subsidiary, except in the case of clauses (i), (iii) and (iv) for such breaches, violations or contravention that would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect. No consent, approval, authorization or order of, or qualification with, any governmental body or agency is required for the performance by the Company of its obligations under this Agreement, except (i) such as have previously been obtained, and (ii) such as may be required by the securities or Blue Sky laws of the various states or the rules and regulations of the Financial Industry Regulatory Authority, Inc. (“**FINRA**”) in connection with the offer and sale of the Shares.

(l) There has not occurred any material adverse change in the condition, financial or otherwise, or in the earnings, business, operations or prospects of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus.

(m) There are no legal or governmental proceedings pending or, to the knowledge of the Company, threatened to which the Company or any of its subsidiaries is a party or to which any of the properties of the Company or any of its subsidiaries is subject (i) other than proceedings accurately described in the Time of Sale Prospectus and proceedings that would not have a material adverse effect on the Company and its subsidiaries, taken as a whole, or on the power or ability of the Company to perform its obligations under this Agreement or to consummate the transactions contemplated by the Time of Sale Prospectus or (ii) that are required to be described in the Registration Statement or the Prospectus and are not so described; and there are no statutes, regulations, contracts or other documents that are required to be described in the Registration Statement or the Prospectus or to be filed as exhibits to the Registration Statement that are not described or filed as required.

(n) Each preliminary prospectus filed as part of the Registration Statement as originally filed or as part of any amendment thereto, or filed pursuant to Rule 424 under the Securities Act, complied when so filed with the Securities Act and the applicable rules and regulations of the Commission thereunder.

(o) The Company is not, and after giving effect to the offer and sale of the Shares and the application of the proceeds thereof as described in the Prospectus will not be, required to register as an “investment company” as such term is defined in the Investment Company Act of 1940, as amended.

(p) The Company and its subsidiaries (i) are in compliance with any and all applicable foreign, federal, state and local laws and regulations relating to the protection of human health and safety, the environment or hazardous or toxic substances or wastes, pollutants or contaminants (“**Environmental Laws**”), (ii) have received all permits, licenses or other approvals required of them under applicable Environmental Laws to conduct their respective businesses, and (iii) are in compliance with all terms and conditions of any such permit, license or approval, except for such non-compliance or such failure to receive permits, licenses or approvals as would not reasonably be expected to have a Material Adverse Effect.

(q) There are no costs or liabilities associated with Environmental Laws (including, without limitation, any capital or operating expenditures required for clean-up, closure of properties or compliance with Environmental Laws or any permit, license or approval, any related constraints on operating activities and any potential liabilities to third parties) which would, singly or in the aggregate, reasonably be expected to have a Material Adverse Effect.

(r) There are no contracts, agreements or understandings between the Company and any person granting such person the right to require the Company to file a registration statement under the Securities Act with respect to any securities of the Company or to require the Company to include such securities with the Shares registered pursuant to the Registration Statement, except as otherwise have been validly waived in connection with the issuance and sale of the Shares contemplated hereby.

(s) Neither the Company nor any of its subsidiaries, nor any director or executive officer, nor, to the Company's knowledge, any other employee, agent or representative of the Company or of any of its subsidiaries or affiliates, has taken or will take any action in furtherance of an offer, payment, promise to pay, or authorization or approval of the payment or giving of money, property, gifts or anything else of value, directly or indirectly, to any "government official" (including any officer or employee of a government or government-owned or controlled entity or of a public international organization, or any person acting in an official capacity for or on behalf of any of the foregoing, or any political party or party official or candidate for political office) to influence official action or secure an improper advantage; and the Company and its subsidiaries and affiliates have conducted their businesses in compliance with applicable anti-corruption laws, including the Foreign Corrupt Practices Act of 1977 and the Bribery Act 2010 of the United Kingdom, and will maintain policies and procedures designed to promote and achieve compliance with such laws.

(t) The operations of the Company and its subsidiaries are and have been conducted at all times in material compliance with all applicable financial recordkeeping and reporting requirements, including those of the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and the applicable anti-money laundering statutes of jurisdictions where the Company and its subsidiaries conduct business, the rules and regulations thereunder and any related or similar rules, regulations or guidelines, issued, administered or enforced by any governmental agency (collectively, the "Anti-Money Laundering Laws"), and no action, suit or proceeding by or before any court or governmental agency, authority or body or any arbitrator involving the Company or any of its subsidiaries with respect to the Anti-Money Laundering Laws is pending or, to the knowledge of the Company, threatened.

(u) (i) Neither the Company nor any of its subsidiaries, nor any director or officer thereof, nor, to the Company's knowledge, any other employee, agent, controlled affiliate or representative of the Company or any of its subsidiaries, is an individual or entity ("**Person**") that is, or is owned or controlled by a Person that is:

(A) the subject of any sanctions administered or enforced by the U.S. Department of Treasury's Office of Foreign Assets Control ("**OFAC**") or other relevant sanctions authority in the U.S. (collectively, "**Sanctions**"), nor

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(B) located, organized or resident in a country or territory that is the subject of Sanctions (including, without limitation, Cuba, Iran, North Korea, Sudan and Syria).

(ii) Neither the Company nor any of its subsidiaries will, directly or indirectly, use the proceeds of the offering, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person:

(A) to fund or facilitate any activities or business of or with any Person or in any country or territory that, at the time of such funding or facilitation, is the subject of Sanctions; or

(B) in any other manner that will result in a violation of Sanctions by any Person (including any Person participating in the offering, whether as underwriter, advisor, investor or otherwise).

(iii) The Company and its subsidiaries have not, during the past five years, knowingly engaged in, are not now knowingly engaged in, and will not engage in, any dealings or transactions with any Person, or in any country or territory, that at the time of the dealing or transaction is or was the subject of Sanctions.

(v) Subsequent to the respective dates as of which information is given in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, and except as disclosed in the Registration Statement, the Time of Sale Prospectus and the Prospectus, (i) the Company and its subsidiaries have not incurred any material liability, commitment or obligation, direct or contingent; (ii) the Company has not entered into any transaction with any "related person" that would require disclosure pursuant to Item 404 of Regulation S-K promulgated by the Commission, (iii) the Company has not purchased any of its Common Stock or other Securities (as defined in Section 2) or entered into any agreement or arrangement providing for the purchase of any of its Common Stock or other Securities, (iv) the Company has not declared, paid or otherwise made any dividend or distribution of any kind on its Common Stock or other Securities; and (v) there has not been any material change in the capital stock or indebtedness of the Company and its subsidiaries, except in each case as described in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, respectively.

(w) The Company and its subsidiaries do not own any real property. The Company and its subsidiaries have good and marketable title to all personal property owned by them which is material to the business of the Company and its subsidiaries, taken as a whole, in each case free and clear of all liens, encumbrances and defects except such as are described in the Time of Sale Prospectus or such as do not materially affect the value of such property and do not interfere with the use made and proposed to be made of such property by the Company and its subsidiaries. Any real property held under lease by the Company and its subsidiaries are held by them under valid, subsisting and enforceable leases with such exceptions as are not material and do not materially interfere with the use made and proposed to be made of such property and buildings by the Company and its subsidiaries, in each case except as described in the Time of Sale Prospectus.

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(x) The Company and its subsidiaries own or possess, or can acquire on commercially reasonable terms, all material patents, patent rights, licenses, inventions, copyrights, know-how (including trade secrets and other unpatented and/or unpatentable proprietary or confidential information, systems or procedures), trademarks, service marks and trade names currently employed by them in connection with the business now operated by them, and to the knowledge of the Company, neither the Company nor any of its subsidiaries has received any notice of infringement of or conflict with asserted rights of others with respect to any of the foregoing that would reasonably be expected to result in a Material Adverse Effect if such asserted infringement or conflict were to be determined adversely against the Company.

(y) No material labor dispute with the employees of the Company or any of its subsidiaries exists or, to the knowledge of the Company, is imminent; and the Company is not aware of any existing, threatened or imminent labor disturbance by the employees of any of its principal suppliers, vendors, partners or contractors that would reasonably be expected to have a material adverse effect on the Company and its subsidiaries, taken as a whole.

(z) The Company and each of its subsidiaries, taken as a whole, are insured by insurers of recognized financial responsibility against such losses and risks and in such amounts as are customary in the businesses in which they are engaged; neither the Company nor any of its subsidiaries has been refused any insurance coverage sought or applied for; and neither the Company nor any of its subsidiaries has any reason to believe that it will not be able to renew its existing insurance coverage as and when such coverage expires or to obtain similar coverage from similar insurers as may be necessary to continue its business at a cost that would not have a Material Adverse Effect.

(aa) The Company and its subsidiaries possess all certificates, authorizations and permits issued by the appropriate federal, state, local or foreign regulatory authorities necessary to conduct their respective businesses, except where the failure to obtain such certificates, authorizations and permits would not, individually or in the aggregate, be reasonably likely to have a Material Adverse Effect. Neither the Company nor any of its subsidiaries has received any notice of proceedings relating to the revocation or modification of any such certificate, authorization or permit which, singly or in the aggregate, if the subject of an unfavorable decision, ruling or finding, would have a Material Adverse Effect.

(bb) Except as described in the Time of Sale Prospectus, the Company and each of its subsidiaries maintain a system of internal accounting controls designed to provide reasonable assurance that (i) transactions are executed in accordance with management's general or specific authorizations; (ii) transactions are recorded as necessary to permit preparation of financial statements in conformity with U.S. generally accepted accounting principles ("U.S. GAAP") and to maintain asset accountability; (iii) access to assets is permitted only in accordance with management's general or specific authorization; and (iv) the recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences. Except as described

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in the Time of Sale Prospectus, since the end of the Company's most recent audited fiscal year, (i) the Company is not aware of any material weakness in the Company's internal control over financial reporting (whether or not remediated) and (ii) there has been no change in the Company's internal control over financial reporting that has materially and adversely affected, or is reasonably likely to materially and adversely affect, the Company's internal control over financial reporting.

(cc) The Company maintains "disclosure controls and procedures" (as such term is defined in Rule 13a-15(e) under the Exchange Act) that have been designed by, or under the supervision of, the Company's principal executive officer and principal financial officer, or persons performing similar functions, to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the Company's management, including its principal executive officer and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure (it being understood neither subsection (bb) nor this subsection (cc) requires the Company to comply with Section 404 of the Sarbanes-Oxley Act of 2002 as of an earlier date than it would otherwise be required to so comply under applicable law).

(dd) Except as described in the Time of Sale Prospectus, the Company has not sold, issued or distributed any shares of Common Stock during the six-month period preceding the date hereof, including any sales pursuant to Rule 144A under, or Regulation D or Regulation S of, the Securities Act, other than shares issued pursuant to employee benefit plans, qualified stock option plans or other employee compensation plans or pursuant to outstanding options, rights or warrants.

(ee) The Company and each of its subsidiaries have filed all federal, state, local and foreign tax returns required to be filed through the date of this Agreement or have requested extensions thereof and have paid all taxes required to be paid thereon (except as currently being contested in good faith and for which reserves required by U.S. GAAP have been created in the financial statements of the Company), and no tax deficiency has been determined adversely to the Company or any of its subsidiaries which has had, nor does the Company nor any of its subsidiaries have any notice or knowledge of any tax deficiency which could reasonably be expected to be determined adversely to the Company or its subsidiaries and which could reasonably be expected to have, a Material Adverse Effect.

(ff) The financial statements of the Company included in each of the Registration Statement, the Time of Sale Prospectus and the Prospectus, accurately present the consolidated financial position of the Company and its subsidiaries as of the dates indicated and the results of their operations and cash flows for the periods specified. Such financial statements have been prepared in conformity with U.S. GAAP applied on a consistent basis throughout the periods involved. The other financial information included in the Registration Statement, the Time of Sale Prospectus and the Prospectus has been derived from the accounting records of the Company and its subsidiaries and accurately presents the information shown thereby.

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(gg) From the time of initial confidential submission of the Registration Statement to the Commission (or, if earlier, the first date on which the Company engaged directly or through any person authorized to act on its behalf in any Testing-the-Waters Communication) through the date hereof, the Company has been and is an “emerging growth company,” as defined in Section 2(a) of the Securities Act (an “**Emerging Growth Company**”). “**Testing-the-Waters Communication**” means any oral or written communication with potential investors undertaken in reliance on Section 5(d) of the Securities Act.

(hh) The Company (i) has not alone engaged in any Testing-the-Waters Communication other than Testing-the-Waters Communications with the consent of the Representative with entities that are “qualified institutional buyers” within the meaning of Rule 144A under the Securities Act, or institutions that are “accredited investors” within the meaning of Rule 501 under the Securities Act, and (ii) has not authorized anyone other than the Representative to engage in Testing-the-Waters Communications. The Company confirms that the Representative has been authorized to act on its behalf in undertaking Testing-the-Waters Communications. The Company has not distributed any Written Testing-the-Waters Communications other than those listed on Schedule IV hereto. “**Written Testing-the-Waters Communication**” means any Testing-the-Waters Communication that is a written communication within the meaning of Rule 405 under the Securities Act.

(ii) As of the time of each sale of the Shares in connection with the offering when the Prospectus is not yet available to prospective purchasers, none of (A) the Time of Sale Prospectus, (B) any free writing prospectus, when considered together with the Time of Sale Prospectus, and (C) any individual Written Testing-the-Waters Communication, when considered together with the Time of Sale Prospectus, included, includes or will include an untrue statement of a material fact or omitted, omits or will omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except that the representations and warranties set forth in this Section (ii) do not apply to statements or omissions based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through the Representative expressly for use therein.

(jj) The Company and each of its subsidiaries have complied, and are presently in compliance with, its privacy policies and third-party obligations (imposed by applicable law, contract or otherwise) regarding the collection, use, transfer, storage, protection, disposal and disclosure by the Company and its subsidiaries of personally identifiable information. The Company and its subsidiaries have taken commercially reasonable steps to protect the information technology systems and data used in connection with the operation of the Company and its subsidiaries, taken as a whole. The Company and its subsidiaries have used reasonable efforts to establish commercially reasonable disaster recovery and security procedures for the business. To the knowledge of the Company, there has been no security breach or attack or other compromise of or relating to the Company’s information technology systems that would result in a Material Adverse Effect.

(kk) Nothing has come to the attention of the Company that has caused it to reasonably believe that the industry-related and market-related data included in the Registration Statement, the Prospectus and the Time of Sale Prospectus is not based on or derived from sources that are reliable and accurate in all material respects.

(ll) Neither the Company nor its subsidiaries is (i) in violation of its respective charter or bylaws (or equivalent organizational documents) or (ii) in default (or with the giving of notice or lapse of time would be in default) under any existing obligation, agreement, covenant or condition contained in any indenture, loan agreement, mortgage, lease or other agreement or instrument to which any of them is a party or by which any of them is bound or to which any of the properties of any of them is subject, except to the extent such defaults would not have a Material Adverse Effect.

(mm) The Company has taken all necessary actions to ensure that it is in compliance with all provisions of the Sarbanes-Oxley Act, and all rules and regulations promulgated thereunder, to the extent applicable to the Company on the date hereof.

2. *Agreements to Sell and Purchase.* The Company hereby agrees to sell to the several Underwriters, and each Underwriter, upon the basis of the representations and warranties herein contained, but subject to the conditions hereinafter stated, agrees, severally and not jointly, to purchase from the Company at \$ \_\_\_\_\_ a share (the "**Purchase Price**") the respective number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter.

On the basis of the representations and warranties contained in this Agreement, and subject to its terms and conditions, the Company agrees to sell to the Underwriters the Additional Shares, and the Underwriters shall have the right to purchase from the Company, severally and not jointly, up to \_\_\_\_\_ Additional Shares at the Purchase Price. You may exercise this right on behalf of the Underwriters in whole or from time to time in part by giving written notice not later than 30 days after the date of this Agreement. Any exercise notice shall specify the number of Additional Shares to be purchased by the Underwriters and the date on which such shares are to be purchased. Each purchase date must be at least one business day after the written notice is given and may not be earlier than the closing date for the Firm Shares nor later than ten business days after the date of such notice. On each day, if any, that Additional Shares are to be purchased (an "**Option Closing Date**"), each Underwriter agrees, severally and not jointly, to purchase the number of Additional Shares (subject to such adjustments to eliminate fractional shares as you may determine) that bears the same proportion to the total number of Additional Shares to be purchased on such Option Closing Date as the number of Firm Shares set forth in Schedule I hereto opposite the name of such Underwriter bears to the total number of Firm Shares.

The Company hereby agrees that it will not, during the period ending 90 days after the date of the Prospectus (the "**Restricted Period**"), without the prior written consent of the Representative (which consent may be withheld in the Representative's sole discretion) (a) directly or indirectly, sell, offer to sell, contract to sell, grant any option for the sale, grant any security interest in, pledge, hypothecate or otherwise dispose of or enter into any transaction which is designed to, or could be expected to, result in the disposition (whether by actual disposition or effective economic disposition due to delivery of Common Stock or securities convertible into, exchangeable, or exercisable for shares of Common Stock ("**Securities**"), in cash settlement or otherwise, by the Company or any affiliate of the Company (or any person in privity with the Company or any affiliate of the Company) (collectively, a "**Disposition**"), (b) without limiting the restrictions set forth in clause (a), engage in any hedging or other transaction which is designed to or reasonably expected to



lead to or result in a Disposition of shares of Common Stock or other Securities during the Restricted Period, even if such shares of Common Stock or other Securities would be disposed of by a person or entity other than the Company, or (c) file any registration statement with the Commission relating to the offering of any shares of Common Stock or other Securities, except for a registration statement on Form S-8 relating to the registration of shares of Common Stock issuable pursuant to the Company's equity incentive plans.

The restrictions contained in the preceding paragraph shall not apply to (a) the Shares to be sold hereunder; (b) the issuance of Common Stock or other Securities upon the exercise of any equity awards issued pursuant to the Company's equity incentive plans described in the Time of Sale Prospectus and in effect on the date hereof, or the exercise of warrants or the conversion of convertible securities issued by the Company that are outstanding on the date hereof, *provided* that, unless otherwise agreed in writing by the Representative, prior to the issuance of Common Stock or other Securities upon the exercise of such equity awards, or upon the exercise of such warrants or the conversion of such convertible securities pursuant to this clause (b), each recipient of Common Stock or other Securities shall have signed and delivered a lock-up agreement substantially in the form of Exhibit A hereto (the "**Lock-Up Agreement**") (it being understood that the execution of the lock-up agreement required by this clause (b) shall not serve to extend the date on which the lock-up period expires pursuant to the Lock-Up Agreement), but only to the extent such recipients are not already subject to standard market stand-off provisions with respect to the Common Stock or other Securities received upon such exercise or conversion pursuant to this clause (b)); (c) the grant of any equity awards by the Company to employees, officers, directors, advisors or consultants of the Company pursuant to equity incentive plans described in the Time of Sale Prospectus and in effect on the date hereof; (d) issuance of securities of the Company to one or more counterparties in connection with the consummation of any strategic partnership, joint venture, collaboration or other strategic transaction, or the acquisition or license of any business products or technology (but not any transaction the primary purpose of which is to provide financing to the Company), provided that the total number of shares of Common Stock, including shares underlying convertible or exercisable securities, which may be issued pursuant to this clause (d) may not exceed an aggregate of \_\_\_\_\_ shares of the Common Stock; (e) the filing by the Company of a registration statement on Form S-8 with the Commission in respect of any shares of Common Stock or other Securities issued under or the grant of any equity award pursuant to an equity incentive plan described in the Time of Sale Prospectus and in effect on the date hereof; or (g) the establishment of any contract, instruction or plan (a "**Plan**") that satisfies the requirements of Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"); *provided*, that (i) no sales of Common Stock or other Securities shall be made pursuant to such a Plan prior to the expiration of the Restricted Period, and (ii) such a Plan may only be established if no public announcement of the establishment or existence thereof and no filing with the Commission or other regulatory authority in respect thereof or transactions thereunder or contemplated thereby shall be required, and no such announcement or filing is made voluntarily prior to the expiration of the Restricted Period.

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3. *Terms of Public Offering.* The Company is advised by you that the Underwriters propose to make a public offering of their respective portions of the Shares as soon after the Registration Statement has become effective, and this Agreement has been executed, as in your judgment is advisable. The Company is further advised by you that the Shares are to be offered to the public initially at \$ \_\_\_\_\_ per share (the “**Public Offering Price**”) and to certain dealers selected by you at a price that represents a concession not in excess of \$ \_\_\_\_\_ per share under the Public Offering Price.

4. *Payment and Delivery.* Payment for the Firm Shares shall be made to the Company in Federal or other funds immediately available in New York City, or at such other location as may be mutually acceptable, against delivery of such Firm Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on \_\_\_\_\_, 2017, or at such other time as may be mutually acceptable, but in no event later than \_\_\_\_\_, 2017. The time and date of such payment are hereinafter referred to as the “**Closing Date.**”

Payment for any Additional Shares shall be made to the Company in Federal or other funds immediately available in New York City, or at such other location as may be mutually acceptable, against delivery of such Additional Shares for the respective accounts of the several Underwriters at 10:00 a.m., New York City time, on the date specified in the corresponding notice described in Section 2 or at such other time on the same or on such other date as may be mutually acceptable, in any event not later than \_\_\_\_\_, 2017.

The Firm Shares and Additional Shares shall be registered in such names and in such denominations as you shall request in writing not later than one full business day prior to the Closing Date or the applicable Option Closing Date, as the case may be. The Firm Shares and Additional Shares shall be delivered to you on the Closing Date or an Option Closing Date, as the case may be, for the respective accounts of the several Underwriters. If the Representative so elects, delivery of the Firm Shares or the Option Shares may be made by credit through full fast transfer to the accounts at The Depository Trust Company designated by the Representative. The Purchase Price payable by the Underwriters shall be reduced by (i) any transfer taxes paid by, or on behalf of, the Underwriters in connection with the transfer of the Shares to the Underwriters and (ii) any withholding required by law.

5. *Conditions to the Underwriters’ Obligations.* The obligations of the Company to sell the Shares to the Underwriters and the several obligations of the Underwriters to purchase and pay for the Shares on the Closing Date are subject to the condition that the Registration Statement shall have become effective not later than 5:30 p.m. (New York City time) on the date hereof.

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The several obligations of the Underwriters are subject to the following further conditions:

(a) Subsequent to the execution and delivery of this Agreement, and prior to the Closing Date, there shall not have occurred any change, or any development involving a prospective change, in the condition, financial or otherwise, or in the earnings, business, operations or prospects of the Company and its subsidiaries, taken as a whole, from that set forth in the Time of Sale Prospectus that, in your judgment, is material and adverse and that makes it, in your sole discretion, impracticable to market the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus.

(b) The Underwriters shall have received on the Closing Date a certificate, dated the Closing Date and signed on behalf of the Company by the Chief Executive Officer and Chief Financial Officer of the Company, to the effect (i) set forth in Section 5(a) above, (ii) that the representations and warranties of the Company contained in this Agreement are true and correct in all material respects (except for such representations and warranties qualified by materiality, which representations and warranties shall be true and correct in all respects) on and as of the Closing Date, and (iii) that the Company has complied with all of the agreements and satisfied all of the conditions on its part to be performed or satisfied hereunder on or before the Closing Date.

(c) The Underwriters shall have received on the Closing Date an opinion and a negative assurance letter of K&L Gates LLP ("**K&L Gates**"), counsel for the Company, dated the Closing Date, in form and substance reasonably satisfactory to the Representative.

(d) The Underwriters shall have received on the Closing Date an opinion of Stradling Yocca Carlson & Rauth, P.C. ("**SYCR**"), counsel for the Underwriters, dated the Closing Date, in form and substance reasonably satisfactory to the Representative.

(e) The Underwriters shall have received, on each of the date hereof and the Closing Date, a letter dated the date hereof or the Closing Date, as the case may be, in form and substance satisfactory to the Underwriters, from Marcum, containing statements and information of the type ordinarily included in accountants' "comfort letters" to underwriters with respect to the financial statements and certain financial information contained in the Registration Statement, the Time of Sale Prospectus and the Prospectus; *provided* that the letter delivered on the Closing Date shall use a "cut-off date" not earlier than the date hereof.

(f) The lock-up agreements, each substantially in the form of Exhibit A hereto, between you and each of the officers, directors and stockholders of the Company listed on Exhibit B, relating to Dispositions of shares of Common Stock and other Securities, delivered to you on or before the date hereof, shall be in full force and effect on the Closing Date.

(g) FINRA shall have confirmed that it has not raised any objection with respect to the fairness and reasonableness of the underwriting terms and conditions.

(h) Such other documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Shares to be sold on the Closing Date and other matters related to the issuance of the Shares.

(i) The several obligations of the Underwriters to purchase Additional Shares hereunder are subject to the delivery to you on the applicable Option Closing Date of the following:

(i) a certificate, dated the Option Closing Date and signed on behalf of the Company by the Chief Executive Officer and Chief Financial Officer of the Company, confirming that the certificate delivered on the Closing Date pursuant to Section 5(b) hereof remains true and correct as of such Option Closing Date;

(ii) an opinion and a negative assurance letter of K&L Gates, counsel for the Company, dated the Option Closing Date, relating to the Additional Shares to be purchased on such Option Closing Date and otherwise to the same effect as the opinion required by Section 5(c) hereof;

(iii) an opinion of SYCR, counsel for the Underwriters, dated the Option Closing Date, relating to the Additional Shares to be purchased on such Option Closing Date and otherwise to the same effect as the opinion required by Section 5(d) hereof;

(iv) a letter dated the Option Closing Date, in form and substance satisfactory to the Underwriters, from Marcum, substantially in the same form and substance as the letter furnished to the Underwriters pursuant to Section 5(e) hereof; *provided* that the letter delivered on the Option Closing Date shall use a "cut-off date" not earlier than three business days prior to such Option Closing Date; and

(v) such other documents as you may reasonably request with respect to the good standing of the Company, the due authorization and issuance of the Additional Shares to be sold on such Option Closing Date and other matters related to the issuance of such Additional Shares.

6. *Covenants of the Company.* The Company covenants with each Underwriter as follows:

(a) To furnish to you, without charge, signed copies of the Registration Statement (including exhibits thereto) and for delivery to each other Underwriter a conformed copy of the Registration Statement (without exhibits thereto) and to furnish to you on the business day next succeeding the date of this Agreement and during the period mentioned in Section 6(e) or 6(f) below, as many copies of the Time of Sale Prospectus, the Prospectus and any supplements and amendments thereto or to the Registration Statement as you may reasonably request.

(b) Before amending or supplementing the Registration Statement, the Time of Sale Prospectus or the Prospectus, to furnish to you a copy of each such proposed amendment or supplement and to not file any such proposed amendment or supplement to which you reasonably object, and to file with the Commission within the applicable period specified in Rule 424(b) under the Securities Act any prospectus (including the Prospectus) required to be filed pursuant to such Rule.

(c) To furnish to you a copy of each proposed free writing prospectus to be prepared by or on behalf of, used by, or referred to by the Company and not to use or refer to any proposed free writing prospectus to which you reasonably object.

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(d) Not to take any action that would result in an Underwriter or the Company being required to file with the Commission pursuant to Rule 433(d) under the Securities Act a free writing prospectus prepared by or on behalf of the Underwriter that the Underwriter otherwise would not have been required to file thereunder.

(e) If the Time of Sale Prospectus is being used to solicit offers to buy the Shares at a time when the Prospectus is not yet available to prospective purchasers and any event shall occur or condition exist as a result of which, in the opinion of counsel for the Underwriters, it is necessary or appropriate to amend or supplement the Time of Sale Prospectus in order to make the statements therein, in the light of the circumstances, not misleading, or if any event shall occur or condition exist as a result of which the Time of Sale Prospectus conflicts with the information contained in the Registration Statement then on file, or if, it is necessary or appropriate to amend or supplement the Time of Sale Prospectus to comply with applicable law, then the Company shall, at its own expense, immediately prepare, file with the Commission and furnish to the Underwriters and to any dealer upon request, either amendments or supplements to the Time of Sale Prospectus so that the statements in the Time of Sale Prospectus as so amended or supplemented will not, in the light of the circumstances when the Time of Sale Prospectus is delivered to a prospective purchaser, be misleading, or so that the Time of Sale Prospectus, as amended or supplemented, will no longer conflict with the Registration Statement, or so that the Time of Sale Prospectus, as amended or supplemented, will comply with applicable law.

(f) If, during such period after the first date of the public offering of the Shares as in the opinion of counsel for the Underwriters the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is required by law to be delivered in connection with sales by an Underwriter or dealer, any event shall occur or condition exist as a result of which it is necessary to amend or supplement the Prospectus in order to make the statements therein, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, not misleading, or if, in the opinion of counsel for the Underwriters, it is necessary to amend or supplement the Prospectus to comply with the Securities Act, then the Company shall, at its own expense, immediately prepare, file with the Commission and furnish to the Underwriters and to any dealers (whose names and addresses you will furnish to the Company) to which Shares may have been sold by you on behalf of the Underwriters and to any other dealers upon request, either amendments or supplements to the Prospectus so that the statements in the Prospectus as so amended or supplemented will not, in the light of the circumstances when the Prospectus (or in lieu thereof the notice referred to in Rule 173(a) of the Securities Act) is delivered to a purchaser, be misleading or so that the Prospectus, as amended or supplemented, will comply with the Securities Act.

(g) To qualify the Shares for offer and sale under the securities or Blue Sky laws of such jurisdictions to the extent required by applicable law.

(h) To make generally available to the Company's security holders and to you as soon as practicable an earnings statement covering a period of at least twelve months beginning with the first fiscal quarter of the Company occurring after the date of this Agreement which shall satisfy the provisions of Section 11(a) of the Securities Act and the rules and regulations of the Commission thereunder.

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(i) The Company will promptly notify the Representative if the Company ceases to be an Emerging Growth Company at any time prior to the later of (a) completion of the “distribution” of the Shares within the meaning of the Securities Act, and (b) completion of the Restricted Period (as defined in Section 2).

(j) If at any time following the distribution of any Written Testing-the-Waters Communication there occurred or occurs an event or development as a result of which such Written Testing-the-Waters Communication included or would include an untrue statement of a material fact or omitted or would omit to state a material fact necessary in order to make the statements therein, in the light of the circumstances existing at that subsequent time, not misleading, the Company will promptly notify the Representative and will promptly amend or supplement, at its own expense, such Written Testing-the-Waters Communication to eliminate or correct such untrue statement or omission.

(k) The Company will use its best efforts to maintain the listing of the Common Stock (including without limitation the Shares) on the NASDAQ Global Market.

7. *Expenses.* Except as specifically described in this Section 7, whether or not the transactions contemplated in this Agreement are consummated or this Agreement is terminated, the Company agrees to pay or cause to be paid all expenses incident to the negotiation and preparation of this Agreement, the offer and sale of the Shares pursuant to this Agreement, and the performance of its obligations under this Agreement, including: (i) the fees and expenses of the Company incurred in connection with the registration, offer, sale, issuance and delivery of the Shares under the Securities Act, including the fees or expenses in connection with the preparation and filing of the Registration Statement, any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, any free writing prospectus prepared by or on behalf of, used by, or referred to by the Company, any Testing-the-Waters Communications prepared by or on behalf of, used by, or referred to by the Company, and any amendments and supplements to any of the foregoing, and all costs associated with printing, mailing and delivering any of the foregoing, (ii) all costs and expenses related to the issuance, transfer and delivery of the Shares to the Underwriters, including any transfer or other taxes payable thereon, *provided* that the Underwriters will be responsible for transfer taxes, if any, on resale of any of the Securities by them, (iii) the cost of preparing any Blue Sky memorandum in connection with the offer and sale of the Shares under state securities laws and all expenses in connection with the qualification of the Shares for offer and sale under state securities laws as provided in Section 6(g) hereof, including filing fees and the reasonable fees and disbursements of counsel for the Underwriters in connection with such qualification and in connection with the Blue Sky memorandum, (iv) all fees and expenses incurred in connection with the review and qualification of the offering of the Shares by FINRA, (v) all costs and expenses incident to listing the Shares on the NASDAQ Global Market, (vi) the cost of printing stock certificates representing the Shares, if applicable, (vii) the costs and charges of any transfer agent, registrar or depositary, (viii) the costs and expenses of the Company relating to investor presentations on any “road show” or Testing-the-Waters meetings undertaken in connection with the marketing of the offering of the Shares, including, without limitation, expenses associated with the preparation or dissemination of any electronic road show, the production of “road show” or Testing-the-Waters slides and graphics, fees and expenses of any consultants engaged in connection with

the road show or Testing-the-Waters presentations, travel and lodging expenses of officers, employees and consultants of the Company; and (ix) the payment for or reimbursement of reasonable costs and expenses of the Underwriters incurred in connection with any of the foregoing including, without limitation, (A) the fees and disbursements of counsel for the Underwriters, and (B) the travel and lodging expenses associated with the road show or Testing-the-Waters presentations undertaken in connection with the marketing of the offering of the Shares, *provided* further that the costs and expenses paid or reimbursed by the Company pursuant to this clause (x) shall be evidenced in writing in reasonable detail, and that the aggregate amount of costs and expenses required to be paid or reimbursed by the Company pursuant to this clause (x) shall not exceed \$150,000 in the aggregate.

8. *Covenants of the Underwriters.* Each Underwriter severally covenants with the Company not to take any action that would result in the Company being required to file with the Commission under Rule 433(d) a free writing prospectus prepared by or on behalf of such Underwriter that otherwise would not be required to be filed by the Company thereunder, but for the action of the Underwriter.

9. *Indemnity and Contribution.*

(a) The Company agrees to indemnify and hold harmless each Underwriter, each person, if any, who controls any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act and each affiliate of any Underwriter within the meaning of Rule 405 under the Securities Act from and against any and all losses, claims, damages and liabilities (including, without limitation, any legal or other expenses reasonably incurred in connection with defending or investigating any such action or claim) caused by any untrue statement or alleged untrue statement of a material fact contained in (i) the Registration Statement or any amendment thereto, (ii) any preliminary prospectus, or any amendment or supplement thereto, (iii) the Time of Sale Prospectus, or any amendment or supplement thereto, (iv) any issuer free writing prospectus (as defined in Rule 433(h) under the Securities Act), (v) any Company information that the Company has filed, or is required to file, pursuant to Rule 433(d) under the Securities Act, (vi) any road show, as defined in Rule 433(h) under the Securities Act (a "road show"), (vii) the Prospectus, or any amendment or supplement thereto, or (viii) any Written Testing-the-Waters Communication, or caused by any omission or alleged omission to state in any of the foregoing a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such losses, claims, damages or liabilities are caused by any such untrue statement or omission or alleged untrue statement or omission based upon information relating to any Underwriter furnished to the Company in writing by such Underwriter through you expressly for use therein.

(b) Each Underwriter agrees, severally and not jointly, to indemnify and hold harmless the Company, the directors of the Company, the officers of the Company who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act from and against any and all losses, claims, damages and liabilities caused by any untrue statement or alleged untrue statement of a material fact contained in (i) the Registration Statement or any amendment thereto, (ii) any preliminary prospectus, or any amendment or supplement thereto, (iii) the Time of Sale Prospectus, or any amendment or supplement thereto, (iv) any

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issuer free writing prospectus (as defined in Rule 433(h) under the Securities Act), (v) any road show, (vi) the Prospectus, or any amendment or supplement thereto, or (viii) any Written Testing-the-Waters Communication or caused by any omission or alleged omission to state in any of the foregoing a material fact required to be stated therein or necessary to make the statements therein not misleading, but, in each case, only with reference to information relating to such Underwriter furnished to the Company in writing by such Underwriter through you expressly for use in the applicable document or filing.

(c) In case any proceeding (including any governmental investigation) shall be instituted involving any person in respect of which indemnity may be sought pursuant to Section 9(a) or 9(b), such person (the “**indemnified party**”) shall promptly notify the person against whom such indemnity may be sought (the “**indemnifying party**”) in writing and the indemnifying party, upon request of the indemnified party, shall retain counsel reasonably satisfactory to the indemnified party to represent the indemnified party and any others the indemnifying party may designate in such proceeding and shall pay the reasonably incurred fees and disbursements of such counsel related to such proceeding. In any such proceeding, any indemnified party shall have the right to retain its own counsel, but the fees and expenses of such counsel shall be at the expense of such indemnified party unless (i) the indemnifying party and the indemnified party shall have mutually agreed to the retention of such counsel or (ii) the named parties to any such proceeding (including any impleaded parties) include both the indemnifying party and the indemnified party and representation of both parties by the same counsel would be inappropriate due to actual or potential differing interests between them. It is understood that the indemnifying party shall not, in respect of the legal expenses of any indemnified party in connection with any proceeding or related proceedings in the same jurisdiction, be liable for (i) the fees and expenses of more than one separate firm (in addition to any local counsel) for all Underwriters and all persons, if any, who control any Underwriter within the meaning of either Section 15 of the Securities Act or Section 20 of the Exchange Act or who are “affiliates” of any Underwriter (within the meaning of Rule 405 under the Securities Act), and (ii) the fees and expenses of more than one separate firm (in addition to any local counsel) for the Company, its directors, its officers who sign the Registration Statement and each person, if any, who controls the Company within the meaning of either such Section, and that all such fees and expenses shall be reimbursed as they are incurred. In the case of any such separate firm for the Underwriters and such control persons and affiliates of any Underwriters, such firm shall be designated in writing by the Representative. In the case of any such separate firm for the Company, and such directors, officers and control persons of the Company, such firm shall be designated in writing by the Company. The indemnifying party shall not be liable for any settlement of any proceeding effected without its written consent, but if settled with such consent or if there be a final judgment for the plaintiff, the indemnifying party agrees to indemnify the indemnified party from and against any loss or liability by reason of such settlement or judgment. Notwithstanding the foregoing sentence, if at any time an indemnified party shall have requested an indemnifying party to reimburse the indemnified party for fees and expenses of counsel as contemplated by the second and third sentences of this paragraph, the indemnifying party agrees that it shall be liable for any settlement of any proceeding effected without its written consent if (i) such settlement is entered into more than 60 days after receipt by such indemnifying party of the aforesaid request and (ii) such indemnifying party shall not have reimbursed the indemnified party in accordance with such request prior to the date of such settlement. No indemnifying party shall, without the prior written consent of the



indemnified party, effect any settlement of any pending or threatened proceeding in respect of which any indemnified party is or could have been a party and indemnity could have been sought hereunder by such indemnified party, unless such settlement (i) includes an unconditional release of such indemnified party from all liability on claims that are the subject matter of such proceeding and (ii) does not include a statement as to an admission of fault, culpability or a failure to act, by or on behalf of any indemnified party.

(d) To the extent the indemnification provided for in Section 9(a) or 9(b) is unavailable to an indemnified party or insufficient in respect of any losses, claims, damages or liabilities referred to therein, then each indemnifying party under such paragraph, in lieu of indemnifying such indemnified party thereunder, shall contribute to the amount paid or payable by such indemnified party as a result of such losses, claims, damages or liabilities (i) in such proportion as is appropriate to reflect the relative benefits received by the indemnifying party or parties on the one hand and the indemnified party or parties on the other hand from the offering of the Shares or (ii) if the allocation provided by clause 9(d)(i) above is not permitted by applicable law, in such proportion as is appropriate to reflect not only the relative benefits referred to in clause 9(d)(i) above but also the relative fault of the indemnifying party or parties on the one hand and of the indemnified party or parties on the other hand in connection with the statements or omissions that resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative benefits received by the Company on the one hand and the Underwriters on the other hand in connection with the offering of the Shares shall be deemed to be in the same respective proportions as the net proceeds from the offering of the Shares (before deducting expenses but after deducting underwriting discounts and commissions) received by the Company and the total underwriting discounts and commissions received by the Underwriters, in each case as set forth in the table on the cover of the Prospectus, bear to the aggregate Public Offering Price of the Shares. The relative fault of the Company on the one hand and the Underwriters on the other hand shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by the Company or by the Underwriters and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Underwriters' respective obligations to contribute pursuant to this Section 9 are several in proportion to the respective number of Shares they have purchased hereunder, and not joint.

(e) The Company and the Underwriters agree that it would not be just or equitable if contribution pursuant to this Section 9 were determined by *pro rata* allocation (even if the Underwriters were treated as one entity for such purpose) or by any other method of allocation that does not take account of the equitable considerations referred to in Section 9(d). The amount paid or payable by an indemnified party as a result of the losses, claims, damages and liabilities referred to in Section 9(d) shall be deemed to include, subject to the limitations set forth above, any legal or other expenses reasonably incurred by such indemnified party in connection with investigating or defending any such action or claim. Notwithstanding the provisions of this Section 9, no Underwriter shall be required to contribute any amount in excess of the amount by which the total price at which the Shares underwritten by it and distributed to the public were offered to the public exceeds the amount of any damages that such Underwriter has otherwise been required to pay by reason of such untrue or alleged untrue statement or omission or alleged omission. No person guilty of

fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The remedies provided for in this Section 9 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any indemnified party at law or in equity.

(f) The indemnity and contribution provisions contained in this Section 9 and the representations, warranties and other statements of the Company contained in this Agreement shall remain operative and in full force and effect regardless of (i) any termination of this Agreement, (ii) any investigation made by or on behalf of any Underwriter, any person controlling any Underwriter or any affiliate of any Underwriter or by or on behalf of the Company, its officers or directors or any person controlling the Company and (iii) acceptance of and payment for any of the Shares.

10. *Termination.* The Underwriters may terminate this Agreement by notice given by you to the Company, if after the execution and delivery of this Agreement and prior to the Closing Date (i) trading generally shall have been suspended or materially limited on, or by, as the case may be, any of the New York Stock Exchange, the NYSE MKT, or the NASDAQ Stock Market, (ii) trading of any securities of the Company shall have been suspended on any securities exchange or in any over-the-counter market, (iii) a material disruption in securities settlement, payment or clearance services in the United States shall have occurred, (iv) any moratorium on commercial banking activities shall have been declared by Federal or New York State authorities, or (v) there shall have occurred any outbreak or escalation of hostilities, or any change in financial markets or any calamity or crisis that, in your judgment, is material and adverse and which, singly or together with any other event specified in this Section 10, makes it, in your sole discretion, impracticable or inadvisable to proceed with the offer, sale or delivery of the Shares on the terms and in the manner contemplated in the Time of Sale Prospectus or the Prospectus.

11. *Effectiveness; Defaulting Underwriters.* This Agreement shall become effective upon the execution and delivery hereof by the parties hereto.

If, on the Closing Date or an Option Closing Date, as the case may be, any one or more of the Underwriters shall fail or refuse to purchase Shares that it has or they have agreed to purchase hereunder on such date, and the aggregate number of Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase is not more than one-tenth of the aggregate number of the Shares to be purchased on such date, the other Underwriters shall be obligated severally in the proportions that the number of Firm Shares set forth opposite their respective names in Schedule I bears to the aggregate number of Firm Shares set forth opposite the names of all such non-defaulting Underwriters, or in such other proportions as you may specify, to purchase the Shares which such defaulting Underwriter or Underwriters agreed but failed or refused to purchase on such date; *provided* that in no event shall the number of Shares that any Underwriter has agreed to purchase pursuant to this Agreement be increased pursuant to this Section 11 by an amount in excess of one-tenth of such number of Shares without the written consent of such Underwriter. If, on the Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Firm Shares and the aggregate number of Firm Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Firm Shares to be purchased on such date, and

arrangements satisfactory to you and the Company for the purchase of such Firm Shares are not made within 36 hours after such default, this Agreement shall terminate without liability on the part of any non-defaulting Underwriter or the Company. In any such case either you or the Company shall have the right to postpone the Closing Date, but in no event for longer than seven days, in order that the required changes, if any, in the Registration Statement, in the Time of Sale Prospectus, in the Prospectus or in any other documents or arrangements may be effected. If, on an Option Closing Date, any Underwriter or Underwriters shall fail or refuse to purchase Additional Shares and the aggregate number of Additional Shares with respect to which such default occurs is more than one-tenth of the aggregate number of Additional Shares to be purchased on such Option Closing Date, the non-defaulting Underwriters shall have the option to (i) terminate their obligation hereunder to purchase the Additional Shares to be sold on such Option Closing Date or (ii) purchase not less than the number of Additional Shares that such non-defaulting Underwriters would have been obligated to purchase in the absence of such default. Any action taken under this paragraph shall not relieve any defaulting Underwriter from liability in respect of any default of such Underwriter under this Agreement.

If this Agreement shall be terminated by the Underwriters, or any of them, because of any failure or refusal on the part of the Company to comply, in all material respects, with the terms or to fulfill any of the conditions of this Agreement, or if for any reason the Company shall be unable to perform its obligations, in all material respects, under this Agreement, the Company will reimburse the Underwriters or such Underwriters as have so terminated this Agreement with respect to itself, severally, for all out-of-pocket expenses (including the fees and disbursements of their counsel) reasonably incurred by such Underwriters in connection with this Agreement or the offering contemplated hereunder, up to an aggregate of \$150,000.

12. *Entire Agreement.* (a) This Agreement, together with any contemporaneous written agreements and any prior written agreements (to the extent not superseded by this Agreement) that relate to the offer and sale of the Shares, represents the entire agreement between the Company, on the one hand, and the Underwriters, on the other hand, with respect to the preparation of any preliminary prospectus, the Time of Sale Prospectus, the Prospectus, the conduct of the offering, and the purchase and sale of the Shares.

(b) The Company acknowledges that in connection with the offer of the Shares: (i) the Underwriters have acted at arm's length, are not agents of, and owe no fiduciary duties to, the Company or any other person, (ii) the Underwriters owe the Company only those duties and obligations set forth in this Agreement and prior written agreements by and among the Company and the Underwriters (to the extent not superseded by this Agreement), if any, and (iii) the Underwriters may have interests that differ from those of the Company. The Company waives to the fullest extent permitted by applicable law any claims it may have against the Underwriters arising from an alleged breach of fiduciary duty in connection with the offer and sale of the Shares.

13. *Counterparts.* This Agreement may be signed in two or more counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

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14. *Applicable Law.* This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

15. *USA Patriot Act.* In accordance with the requirements of the USA Patriot Act (Title III of Pub. L.107-56 (signed into law October 26, 2001)), the underwriters are required to obtain, verify and record information that identifies their respective clients, including the Company, which information may include the name and address of their respective clients, as well as other information that will allow the underwriters to properly identify their respective clients.

16. *Headings.* The headings of the sections of this Agreement have been inserted for convenience of reference only and shall not be deemed a part of this Agreement.

17. *Notices.* All communications hereunder shall be in writing and effective only upon receipt and if to the Underwriters shall be delivered, mailed or sent to you in care of Roth Capital Partners, LLC, 888 San Clemente Drive, Newport Beach, California 92660, Attention: \_\_\_\_\_, with a copy (*which copy shall not constitute notice hereunder*) to Stradling Yocca Carlson & Rauth, P.C., 660 Newport Center Drive, Suite 1600, Newport Beach, California 92660, Attention: Ryan C. Wilkins, Shareholder; and, if to the Company shall be delivered, mailed or sent to Veritone, Inc., 575 Anton Blvd., Costa Mesa, California 92626, Attention: General Counsel, with a copy (*which copy shall not constitute notice hereunder*) to K&L Gates LLP, 1 Park Plaza, Twelfth Floor, Irvine, California 92614, Attention: Michael A. Hedge, Partner.

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Very truly yours,

VERITONE, INC.

By: \_\_\_\_\_

Name: Chad Steelberg

Title: Chairman and Chief Executive Officer

[Signature Page to Underwriting Agreement]

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Accepted as of the date hereof:

Roth Capital Partners, LLC

Acting severally on behalf of itself and the several Underwriters named in Schedule I hereto.

By: Roth Capital Partners, LLC

By: \_\_\_\_\_

Name:

Title:

[Signature Page to Underwriting Agreement]

**SCHEDULE I**

<b>Underwriter</b>	<b>Number of Firm Shares To Be Purchased</b>
Roth Capital Partners, LLC	
Craig-Hallum Capital Group, LLC	
<b>Total:</b>	

Schedule I

K&L GATES

K&L GATES LLP  
1 PARK PLAZA  
TWELFTH FLOOR  
IRVINE, CA 92614  
T +1 949 253 0900 F +1 949 253 0902 klgates.com

November 15, 2017

Veritone, Inc.  
575 Anton Blvd., Suite 900  
Costa Mesa, California 92626

Ladies and Gentlemen:

We have acted as counsel to Veritone, Inc., a Delaware corporation (the “Company”), in connection with the Registration Statement on Form S-1 (the “Registration Statement”) filed with the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1933, as amended (the “Securities Act”) on the date hereof, for the registration of 920,000 shares (the “Shares”) of the Company’s Common Stock, par value \$0.001 per share, which includes 120,000 shares subject to the underwriters’ option to purchase additional shares to cover over-allotments, if any. This opinion is being furnished to you in accordance with the requirements of Item 601(b)(5) of Regulation S-K under the Securities Act.

You have requested our opinion as to the matters set forth below in connection with the Registration Statement. For purposes of rendering such opinion, we have examined the Registration Statement, the Company’s Third Amended and Restated Certificate of Incorporation and Amended and Restated Bylaws, and records of the corporate action of the Company relating to the Registration Statement and the authorization for issuance and sale of the Shares and matters in connection therewith. We have also made such other investigation as we have deemed appropriate. We have examined and relied upon certificates of public officials and, as to certain matters of fact that are material to our opinion, we have also relied on a certificate of an officer of the Company. In rendering our opinion, we have also made the assumptions that are customary in opinion letters of this kind. We have not verified any of those assumptions.

Our opinion set forth below is limited to the Delaware General Corporation Law.

Based upon and subject to the foregoing, it is our opinion that the Shares have been duly authorized by the Company and, when issued and paid for as contemplated by the form of underwriting agreement filed as an exhibit to the Registration Statement, will be validly issued, fully paid and nonassessable.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement and to the reference to this firm in the Registration Statement under the caption “Legal Matters.” In giving our consent, we do not hereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act or the rules and regulations thereunder.

Yours truly,

/s/ K&L Gates LLP

K&L Gates LLP



**Veritone, Inc.**3366 Via Lido  
Newport Beach, CA 92663

May 9, 2017

John A. Ganley, Jr.  
25686 Rolling Hills Road  
Laguna Hills, CA 92653

Re: Offer of Employment

Dear John:

This offer supersedes the offer letter dated December 21, 2016. Veritone, Inc. (the "Company") is pleased to offer you full-time employment on the following terms:

**1. Position.** You will be employed in the full-time position of Executive Vice President, Human Resources. In this position, you will report to Chad Steelberg, Chief Executive Officer, or as otherwise directed by the Company's Chief Executive Officer, and your base of employment will be the Company's headquarters in Newport Beach, California. A description of this position, and other job-related expectations, will be provided to you after you commence your employment. Your employment status will be exempt and therefore ineligible for overtime.

As a full-time employee, the Company requires that you devote your full business time, attention, skills and efforts to the duties and responsibilities of your position.

**2. Cash Compensation.** In this position, you will earn a salary, initially payable at the approximate gross rate of eight thousand three hundred thirty three dollars and thirty three cents (\$8,333.33) per semi-monthly pay period (two hundred thousand dollars – \$200,000.00 annualized). Salaries may be reviewed from time to time by the Company, and adjusted upon notice to you. In addition to your salary, you will be eligible for performance-based variable compensation with your first year targeted at twenty thousand dollars (\$20,000), payable quarterly, upon your achievement of mutually agreed to objectives.

All compensation is payable less deductions authorized by you, all tax withholdings and other amounts as the Company, in its sole discretion, deems necessary or permitted by applicable law, and subject to adjustment for approved unaccrued sick or vacation time. Compensation will be paid in accordance with the Company's established policies and procedures, and regular pay days. If the Company implements a variable comp plan, you may be eligible.

**3. Equity.** Subsequent to the commencement of your employment, and satisfaction of all of the conditions to employment set forth below, and subject to the approval of the Company's Board of Directors, the Company shall grant you an option (the "Option") to purchase shares of the Company's common stock. Such grant shall be for a total of twenty four thousand (24,000) shares of the Company's common stock at a per share purchase price equal to the fair market value of the Company's common stock as determined by the Company's Board of Directors in its sole discretion as of the date of grant. The Option will be subject to the terms and conditions of the Company's 2017 Stock Incentive Plan, as amended from time to time (the "Plan"), or such other Plan as may then be in effect, and shall be subject to a stock option grant notice and stock option agreement. The Option shall vest over a four (4) year schedule, starting January 30, 2017, with twenty five percent (25%) of the shares subject to the Option becoming vested upon your completion of twelve (12) months of continuous Service, and 1/48th of the shares vesting for each full month of your continuous Service thereafter.

In the event of a Change in Control of the Company (as defined in the Plan) where the Company's acquirer assumes the Plan and continues your employment with the Company, then a portion of your then unvested options equal to the lesser of (a) twenty-five percent (25%) of the share initially subject to such option and (b) the number of options that shall remain unvested as the date of the Change in Control ("Remaining Unvested Options") shall immediately vest in full, and the balance of such Remaining Unvested Options shall vest monthly on a straight line basis (1/12<sup>th</sup> per month) over the twelve (12) months immediately subsequent to the date of the Change in Control, the balance of the Remaining Unvested Options shall immediately vest.

Veritone, Inc. 3366 Via Lido, Newport Beach, CA 92663

**4. Employee Benefits.** You will be eligible for all employee benefits and to participate in all employee benefit plans the Company makes available to its full-time employees subject to the terms and conditions of the personnel policies or benefit plans, as applicable, governing the benefits. Generally, these benefits and benefit plans include paid sick time, paid vacation time, paid holidays, health insurance, and a Section 401(k) retirement savings plan. The Company reserves the right to change compensation and benefits from time to time as it deems appropriate or necessary.

As you work, you will accrue vacation at a rate equal to ten (10) days of paid vacation and sick time at a rate equal to five (5) days paid sick time each calendar year (prorated for any partial year of service) pursuant to the Company's then existing vacation and sick policies.

**5. At-Will Employment.** Your employment relationship with the Company is at all times "at will." This means that both you and the Company retain the right to terminate the employment relationship at any time, with or without cause or any particular notice or procedures. It also means that the Company reserves the right to determine and change, in its sole business judgment and discretion, your job title, duties, reporting relationship, base of employment, sales territory, cash compensation, employee benefits and benefit plans it makes available to employees, and other policies and any other term and condition of your employment.

The first ninety (90) days of employment is an introductory period. During this time, you are able to learn about the Company, your position, and your new surroundings. Your job performance, attendance, attitude and overall interest in your job will be observed by your supervisor. Throughout the introductory period, the Company will assess your suitability as an employee. Should you fail to demonstrate the commitment, performance and attitude expected by the Company, you may be terminated at any time during the introductory period. Completion of the introductory period does not change or alter the at-will employment relationship. You will continue to have the right to terminate employment at any time, with or without cause or notice, and the Company has a similar right. For reasons identified by management, the Company may choose to extend your introductory period as necessary to provide you a further opportunity to demonstrate your ability to perform your job, and you will be notified if your introductory period is extended.

**6. Compliance Law & Company Policies.** As a condition of your employment with the Company, you will be required to comply with applicable laws, and abide by the Company's policies and procedures, including but not limited to the policies set forth in the Company's Employee Handbook, as may be in effect from time to time, including, but not limited to, its equal employment opportunity, anti-harassment, conflict of interest and business ethics policies.

**7. Conditions of Offer & Employment.** The following conditions apply to this offer, and employment pursuant to this offer:

- You represent and warrant that: (i) you are not subject to any pre-existing contractual or other legal obligation with any person, company or business enterprise that may be an impediment to your employment with, or your providing services to, the Company as its employee; (ii) you have not and shall not bring onto Company premises, or use or disclose, directly or indirectly, in the course of your employment with the Company, any confidential or proprietary information or trade secrets of another person, company or business enterprise to whom you previously provided services; and (iii) you are not relying on any representations, promises or agreements not expressly contained in this letter.
- All information you provided to the Company regarding your experience, skills, accomplishments, credentials and background experience are true and correct and without omission.
- In accordance with federal law, you will be able to provide and you will provide the Company with documents that establish your identity and right to work for the Company in the United States. A list of all acceptable documents can be found online within the Form I-9 instructions at <http://www.uscis.gov/sites/default/files/files/form/i-9.pdf>. You must provide these documents for the Company's inspection within the first three (3) days of employment.

- Your consent to reference and background checks, and the results of the foregoing are satisfactory to the Company. Until you have been informed in writing by the Company that such checks have been completed and the results satisfactory, you should defer reliance on this offer. You will be provided with a disclosure of your rights under the relevant federal and state law, and an authorization for you to sign permitting the Company, through a third party, to perform and receive the results of a background check.
- Your return of the enclosed copy of this letter, after being signed by you without modification, no later than May 9, 2017, after which time this offer will expire.
- Your return of a completed and signed *Employment Application*.
- Your return of a completed and signed *Employee Non-Disclosure and Proprietary Information and Inventions Agreement* without modification (“PIIA”). You must return your signed PIIA with a signed copy of this letter.

If you accept this offer, this letter, together with your signed PIIA, will constitute your complete and exclusive agreement with the Company concerning your employment with the Company. The terms in this letter supersede any other representations, negotiations or agreements made to you by the Company and any person associated with the Company, whether oral or written. The terms of this agreement cannot be changed (except with respect to those changes expressly reserved to the Company’s business judgment and discretion in this letter) without a written agreement signed by you and a duly authorized Executive Officer of the Company. In case any provision contained in this agreement shall, for any reason, be held invalid or unenforceable in any respect, such invalidity or unenforceability shall not affect the other provisions of this agreement, and such provision will be construed and enforced so as to render it valid and enforceable consistent with the general intent of the parties insofar as possible under applicable law. With respect to the enforcement of this agreement, no waiver of any right hereunder shall be effective unless it is in writing

If you wish to accept employment with the Company under the terms described above, please sign and date this letter along with all of the above referenced pre-employment documents, and return them to [veritonehr@managease.com](mailto:veritonehr@managease.com) by May 9, 2017, after which the offer expires and becomes null and void. If you choose to accept, your start date will be on or before May 10, 2017 subject to the results of the background check.

John, on behalf of the Company, I look forward to your favorable reply, and to a productive and enjoyable work relationship.

Sincerely,  
VERITONE, INC.  
*/s/ Ryan Steelberg*  
Ryan Steelberg  
President

**Enclosures**

**I accept the foregoing offer of employment. I have read and understand and agree to its terms. I understand that this offer sets forth the entire agreement between myself and the Company, regarding the terms of employment and supersedes any prior agreements, understanding or discussion which I may have prior to signing this offer letter.**

*/s/ John A. Ganley, Jr.*  
\_\_\_\_\_  
John A. Ganley, Jr.

*5/9/17*  
\_\_\_\_\_  
Date

**FORM OF  
CIC ADDENDUM  
TO  
STOCK OPTION AGREEMENT**

The following provisions are hereby incorporated into, and are hereby made a part of, that certain Stock Option Agreement (the **Option Agreement**) by and between Veritone, Inc. (the **Corporation**) and [NAME] (**Optionee**) evidencing the stock option granted on [GRANT DATE] to Optionee under the Corporation's 2014 Stock Option/Stock Issuance Plan, and such provisions shall be effective immediately. All capitalized terms in this Addendum, to the extent not otherwise defined herein, shall have the meanings assigned to such terms in the Option Agreement.

**CHANGE IN CONTROL**

1. Paragraph 6 of the Option Agreement shall be replaced in its entirety with the following:

“6. **Change in Control.**

(a) Should a Change in Control occur during Optionee's period of Service, then the Option Shares at the time subject to this option, as determined by the Plan Administrator in its sole discretion, may be (i) assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control transaction or (ii) replaced with a cash retention program of the successor corporation which preserves the spread existing on the unvested Option Shares at the time of the Change in Control (the excess of the Fair Market Value of those Option Shares over the Exercise Price payable for such shares) and provides for subsequent payout of that spread in accordance with the Exercise Schedule applicable to those unvested Option Shares as set forth in the Grant Notice and adjusted (to the extent applicable) in accordance with Paragraph 6(c) below. Notwithstanding the foregoing, no such cash retention program shall be established for this option (or any other option granted to Optionee under the Plan) to the extent such program would otherwise be deemed to constitute a deferred compensation arrangement subject to the requirements of Code Section 409A and the Treasury Regulations thereunder. Any escrow, holdback, earn-out or similar provisions in the agreement effecting the Change in Control may apply to a cash retention program described in clause (ii) above to the same extent and in the same manner as such provisions apply to a holder of a share of Common Stock, as determined by the Plan Administrator.

(b) In the event the option is assumed, replaced or otherwise continued in effect following the Change in Control transaction, then this option shall, immediately prior to the effective date of the Change in Control, become vested and exercisable for an additional number of the Option Shares equal to the lesser of (a) twenty-five percent (25%) of the number of Option Shares initially subject to this option and (b) the number of Option Shares that are not

then vested and exercisable pursuant to the Exercise Schedule specified in the Grant Notice. The balance of the assumed Option Shares that remain unvested and unexercisable immediately following the consummation of the Change in Control shall continue to vest and become exercisable either (i) in accordance with the terms of the Exercise Schedule applicable to those unvested Option Shares as set forth in the Grant Notice or (ii) in a series of twelve (12) successive equal monthly installments upon Optionee's completion of each additional month of Service over the twelve (12)-month period measured from the effective date of the Change in Control, whichever results in the vesting of such Option Shares occurring on the earliest possible date. In the event that Optionee's employment is terminated by the Corporation without Cause (as defined below) following a Change in Control, the balance of the remaining unvested options shall immediately vest in full. For the purposes of this option, "**Cause**" shall mean (i) a breach by Optionee of a material provision of Optionee's Offer Letter with the Corporation or of Optionee's proprietary information and invention assignment with the Corporation, (ii) failure or refusal by Optionee to comply in any material respect with the lawful policies, standards or regulations of the Corporation, (iii) gross negligence or willful misconduct by Optionee in the performance of Optionee's duties or responsibilities to the Corporation that causes material harm to the Corporation, its business or reputation, or (iv) Optionee's conviction, guilty plea or plea of nolo contendere for any crime involving financial impropriety or moral turpitude or in any felony criminal proceeding, in each case that is materially detrimental to the reputation, character or standing of the Corporation; provided that, with respect to the actions, events or conditions described in the foregoing clauses (i) and (ii) above, any termination by the Corporation shall be presumed to be other than for Cause unless (A) the Corporation provides written notice to Optionee of the applicable action, event or condition allegedly constituting Cause, and (B) Optionee fails to cure, rescind or otherwise remedy the applicable action, event or condition described in such written notice within ten (10) days after delivery of such written notice, provided that such action, event or condition is capable of being cured, rescinded or remedied.

(c) If this option is not assumed, continued or replaced in accordance with Section 6(a), then the unvested portion of this option shall, immediately prior to the effective date of the Change in Control, become fully vested and exercisable. If this option, as so accelerated, remains outstanding at the time of a Change in Control, Optionee shall be entitled to receive, upon consummation of the Change in Control, a cash payment in an amount equal to the spread existing on the Option Shares that are vested and exercisable at the time of the Change in Control (the excess of the Fair Market Value of those shares over the aggregate exercise price payable for such shares), if any. The option shall be subject to cancellation and termination in its entirety, without cash payment or other consideration due the award holder, if the Fair Market Value per share of Common Stock on the date of such Change in Control is less than the per share exercise price in effect for such option. Any escrow, holdback, earn-out or similar provisions in the agreement effecting the Change in Control shall apply to any such cash payment to the same extent and in the same manner as such provisions apply to a holder of a share of Common Stock.

(d) Immediately following the Change in Control, this option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control transaction.

(e) If this option is assumed in connection with a Change in Control or otherwise continued in effect, then this option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control, and appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent that the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the Plan Administrator may, in its sole discretion, provide in the document evidencing the Change in Control that the successor corporation (or parent thereof) shall, in connection with the assumption or continuation of this option, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control.

(f) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets."

2. Except as set forth above, the remaining terms of the Option Agreement shall remain in full force and effect.

**IN WITNESS WHEREOF**, the parties have executed this Addendum as of the Effective Date specified below.

**VERITONE, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**OPTIONEE**

\_\_\_\_\_  
[NAME]  
Address: \_\_\_\_\_  
\_\_\_\_\_

**EFFECTIVE DATE:** [DATE]

## VERITONE, INC.

**NOTICE OF GRANT OF STOCK OPTION**

Notice is hereby given of the following option grant (the "**Option**") to purchase shares of the Common Stock of Veritone, Inc. (the "**Corporation**"):

Optionee: Christopher J. Oates

Grant Date: May 11, 2017

Vesting Commencement Date: May 11, 2017

Exercise Price: \$15.00 per share

Number of Option Shares: 84,000 shares of Common Stock

Expiration Date: May 10, 2027

Type of Option: \_\_\_\_\_ Incentive Stock Option

\_\_\_\_\_ X \_\_\_\_\_ Non-Statutory Stock Option

Exercise Schedule: The Option shall vest and become exercisable with respect to, (i) twenty-five percent (25%) of the Option Shares upon Optionee's completion of one (1) year of Service measured from the Vesting Commencement Date and (ii) the balance of the Option Shares in a series of thirty-six (36) successive equal monthly installments upon Optionee's completion of each additional month of Service over the thirty-six (36)-month period measured from the first anniversary of the Vesting Commencement Date. The Option shall not become exercisable for any additional Option Shares following Optionee's cessation of Service, except to the extent (if any) specifically authorized by the Plan Administrator in its sole discretion pursuant to an express written agreement with Optionee.

Optionee understands and agrees that the Option is granted subject to and in accordance with the terms of (1) the Veritone, Inc. 2014 Stock Option/Stock Issuance Plan (the "**Plan**") and (2) the Stock Option Agreement attached hereto as Exhibit A and incorporated herein by reference, and Optionee further agrees to be bound by the terms of the Plan and the Stock Option Agreement. Optionee hereby acknowledges receipt of a copy of the Plan Summary and Prospectus for the Plan, a copy of which is attached as Exhibit B. A copy of the Plan is available upon request made to the Corporate Secretary at the Corporation's principal offices.

**MARKET STAND-OFF PROVISION. OPTIONEE HEREBY AGREES THAT ALL OPTION SHARES ACQUIRED UPON THE EXERCISE OF THE OPTION SHALL BE SUBJECT TO A MARKET STAND-OFF RESTRICTION, THE TERMS OF SUCH RIGHTS ARE SPECIFIED IN THE ATTACHED STOCK OPTION AGREEMENT.**

At Will Employment. Nothing in this Notice or in the attached Stock Option Agreement or Plan shall confer upon Optionee any right to continue in Service for any period of specific duration or interfere

with or otherwise restrict in any way the rights of the Corporation (or any Parent or Subsidiary employing or retaining Optionee) or of Optionee, which rights are hereby expressly reserved by each, to terminate Optionee's Service at any time for any reason, with or without cause.

Definitions. All capitalized terms in this Notice shall have the meaning assigned to them in this Notice or in the attached Stock Option Agreement.

**DATED:** May 11, 2017

**VERITONE, INC.**

By:     /s/ Jeffrey B. Coyne      
Jeffrey B. Coyne, EVP and General Counsel

    /s/ Christopher J. Oates    

**OPTIONEE NAME: Christopher J. Oates**

Address: \_\_\_\_\_

\_\_\_\_\_

**Attachments:**

Exhibit A - Stock Option Agreement

Exhibit B - Plan Summary and Prospectus



VERITONE, INC.

**STOCK OPTION AGREEMENT**

**RECITALS**

A. The Board has adopted the Plan for the purpose of retaining the services of selected Employees, non-employee members of the Board or the board of directors of any Parent or Subsidiary and consultants and other independent advisors in the service of the Corporation (or any Parent or Subsidiary).

B. Optionee is to render valuable services to the Corporation (or a Parent or Subsidiary), and this Agreement is executed pursuant to, and is intended to carry out the purposes of, the Plan in connection with the Corporation's grant of an option to Optionee.

C. All capitalized terms in this Agreement shall have the meaning assigned to them in the attached Appendix.

**NOW, THEREFORE**, it is hereby agreed as follows:

1. **Grant of Option**. The Corporation hereby grants to Optionee, as of the Grant Date, an option to purchase up to the number of Option Shares specified in the Grant Notice. The Option Shares shall be purchasable from time to time during the option term specified in Paragraph 2 at the Exercise Price.

2. **Option Term**. This option shall have a term of ten (10) years measured from the Grant Date and shall accordingly expire at the close of business on the Expiration Date, unless sooner terminated in accordance with Paragraph 5 or 6.

3. **Limited Transferability**.

(a) This option, together with the Option Shares during the period prior to exercise, shall be neither transferable nor assignable by Optionee other than by will or the laws of inheritance following Optionee's death and may be exercised, during Optionee's lifetime, only by Optionee. However, Optionee may designate one or more Family Members as the beneficiary or beneficiaries of this option, and this option shall, in accordance with such designation, automatically be transferred to such beneficiary or beneficiaries upon Optionee's death while holding this option. Such beneficiary or beneficiaries shall take the transferred option subject to all the terms and conditions of this Agreement, including (without limitation) the limited time period during which this option may, pursuant to Paragraph 5, be exercised following Optionee's death.

(b) If this option is designated a Non-Statutory Option in the Grant Notice, then this option, together with the unexercised Option Shares, shall be subject to the same transfer restrictions as set forth in Paragraph 3(a), except that such option, together with the underlying unexercised Option Shares, may be assigned in whole or in part during Optionee's lifetime by gift or pursuant to a domestic relations order to one or more of Optionee's Family Members or to a trust established for the exclusive benefit of Optionee and/or one or more such Family Members. The assigned portion shall be exercisable only by the person or persons who acquire a proprietary interest in the option pursuant to such assignment. The terms applicable to the assigned portion shall be the same as those in effect for this option immediately prior to such assignment.

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4. **Dates of Exercise.** This option shall become exercisable for the Option Shares in one or more installments as specified in the Grant Notice. As the option becomes exercisable for such installments, those installments shall accumulate, and the option shall remain exercisable for the accumulated installments until the Expiration Date or sooner termination of the option term under Paragraph 5 or 6. In addition, in the event of termination of Optionee's Service as a Board Member by reason of the Corporation's failure to nominate Optionee for reelection as a Board Member other than for Misconduct, this option shall automatically vest and become exercisable with respect to 100% of the Option Shares on the date of such termination.

5. **Cessation of Service.** The option term specified in Paragraph 2 shall terminate (and this option shall cease to be outstanding) prior to the Expiration Date should any of the following provisions become applicable:

(a) Should Optionee cease to remain in Service for any reason (other than death, Disability or Misconduct) while this option is outstanding, then Optionee (or any person or persons to whom this option is transferred pursuant to a permitted transfer under Paragraph 3) shall have a period of three (3) months (commencing with the date of such cessation of Service) during which to exercise this option, but in no event shall this option be exercisable at any time after the Expiration Date.

(b) Should Optionee die while this option is outstanding, then the personal representative of Optionee's estate or the person or persons to whom the option is transferred pursuant to Optionee's will or the laws of inheritance following Optionee's death or, if applicable, the person to whom the option is transferred during Optionee's lifetime pursuant to a permitted transfer under Paragraph 3 shall have the right to exercise this option. However, if Optionee dies while holding this option and has an effective beneficiary designation in effect for this option at the time of his or her death, then the designated beneficiary or beneficiaries shall have the exclusive right to exercise this option following Optionee's death. Any such right to exercise this option shall lapse, and this option shall cease to be outstanding, upon the earlier of (i) the expiration of the twelve (12)-month period measured from the date of Optionee's death or (ii) the Expiration Date.

(c) Should Optionee cease Service by reason of Disability while this option is outstanding, then Optionee (or any person or persons to whom this option is transferred pursuant to a permitted transfer under Paragraph 3) shall have a period of twelve (12) months (commencing with the date of such cessation of Service) during which to exercise this option. In no event shall this option be exercisable at any time after the Expiration Date.

(d) During the limited period of post-Service exercisability, this option may not be exercised in the aggregate for more than the number of Option Shares in which Optionee is, at the time of Optionee's cessation of Service, vested and exercisable pursuant to the Exercise Schedule specified in the Grant Notice or the special vesting acceleration provisions of Paragraph 4 or Paragraph 6. No additional Option Shares shall vest and become exercisable, whether pursuant to the normal Exercise Schedule specified in the Grant Notice or the special vesting acceleration provisions of Paragraph 4 or Paragraph 6, following Optionee's cessation of Service, except to the extent (if any) specifically authorized by the Plan Administrator pursuant to an express written agreement with Optionee. Upon the expiration of such limited exercise period or (if earlier) upon the Expiration Date, this option shall terminate and cease to be outstanding for any Option Shares for which the option has not been exercised.

(e) Should Optionee's Service be terminated for Misconduct or should Optionee otherwise engage in conduct constituting Misconduct while this option is outstanding, then this option shall terminate immediately and cease to remain outstanding.

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## 6. Change in Control.

(a) Should a Change in Control occur during Optionee's period of Service, then the Option Shares at the time subject to this option, as determined by the Plan Administrator in its sole discretion, may be (i) assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control transaction or (ii) replaced with a cash retention program of the successor corporation which preserves the spread existing on the unvested Option Shares at the time of the Change in Control (the excess of the Fair Market Value of those Option Shares over the Exercise Price payable for such shares) and provides for subsequent payout of that spread in accordance with the same Exercise Schedule applicable to those unvested Option Shares as set forth in the Grant Notice. Notwithstanding the foregoing, no such cash retention program shall be established for this option (or any other option granted to Optionee under the Plan) to the extent such program would otherwise be deemed to constitute a deferred compensation arrangement subject to the requirements of Code Section 409A and the Treasury Regulations thereunder. Any escrow, holdback, earn-out or similar provisions in the agreement effecting the Change in Control may apply to a cash retention program described in clause (ii) above to the same extent and in the same manner as such provisions apply to a holder of a share of Common Stock, as determined by the Plan Administrator.

(b) If (i) this option is not assumed, continued or replaced in accordance with Paragraph 6(a) or (ii) this option is to be assumed, continued or replaced upon a Change in Control but Optionee is not requested or invited to continue as a Director of the Company or its successor for any reason other than his Misconduct, then this option shall, immediately prior to the effective date of the Change in Control, become vested and exercisable with respect to all the shares of Common Stock at the time subject to this option, and may be exercised for any or all of those shares as fully-vested shares of Common Stock. If this option, as so accelerated, remains outstanding at the time of a Change in Control, Optionee shall be entitled to receive, upon consummation of the Change in Control, a cash payment in an amount equal to the spread existing on the Option Shares that are vested and exercisable at the time of the Change in Control (the excess of the Fair Market Value of those shares over the aggregate exercise price payable for such shares), if any. However, the option shall be subject to cancellation and termination in its entirety, without cash payment or other consideration due the award holder, if the Fair Market Value per share of Common Stock on the date of such Change in Control is less than the per share exercise price in effect for such option. Any escrow, holdback, earn-out or similar provisions in the agreement effecting the Change in Control shall apply to any such cash payment to the same extent and in the same manner as such provisions apply to a holder of a share of Common Stock.

(c) Immediately following the Change in Control, this option shall terminate and cease to be outstanding, except to the extent assumed by the successor corporation (or parent thereof) or otherwise continued in full force and effect pursuant to the terms of the Change in Control transaction.

(d) If this option is assumed in connection with a Change in Control or otherwise continued in effect, then this option shall be appropriately adjusted, immediately after such Change in Control, to apply to the number and class of securities which would have been issuable to Optionee in consummation of such Change in Control had the option been exercised immediately prior to such Change in Control, and appropriate adjustments shall also be made to the Exercise Price, provided the aggregate Exercise Price shall remain the same. To the extent that the actual holders of the Corporation's outstanding Common Stock receive cash consideration for their Common Stock in consummation of the Change in Control, the Plan Administrator may, in its sole discretion, provide in the document evidencing the Change in Control that the successor corporation (or parent thereof) shall, in connection with the assumption or continuation of this option, substitute one or more shares of its own common stock with a fair market value equivalent to the cash consideration paid per share of Common Stock in such Change in Control.

(e) This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise change its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets.

7. **Adjustment in Option Shares.** In the event of any of the following transactions affecting the outstanding Common Stock as a class without the Corporation's receipt of consideration: any stock split, stock dividend, spin-off transaction, extraordinary distribution (whether in cash, securities or other property), recapitalization, combination of shares, exchange of shares or other similar transaction affecting the Common Stock without the Corporation's receipt of consideration or in the event of a substantial reduction to the value of the outstanding shares of Common Stock as a result of a spin-off transaction or extraordinary distribution, then equitable adjustments shall be made to (i) the total number and/or class of securities subject to this option and (ii) the Exercise Price. The adjustments shall be made by the Plan Administrator in such manner as the Plan Administrator deems appropriate in order to reflect such change, and those adjustments shall be final, binding and conclusive.

8. **Stockholder Rights.** The holder of this option shall not have any stockholder rights with respect to the Option Shares until such person shall have exercised the option, paid the Exercise Price and become the record holder of the Purchased Shares, subject to the Market Stand-Off.

9. **Manner of Exercising Option.**

(a) In order to exercise this option with respect to all or any part of the Option Shares for which this option is at the time exercisable, Optionee (or any other person or persons exercising the option) must take the following actions:

(i) Deliver to the Corporation a notice of exercise in the manner and form specified by the Corporation from time to time (or comply with such other procedures as the Corporation may establish for notifying the Corporation of the option exercise) (the "**Exercise Notice**"), for the Option Shares for which the option is exercised.

(ii) Pay the aggregate Exercise Price for the Purchased Shares in one or more of the following forms:

(A) cash or check made payable to the Corporation; or

(B) in shares of Common Stock valued at Fair Market Value on the Exercise Date and held by Optionee (or any other person or persons exercising the option) for the period (if any) necessary to avoid a charge to the Corporation's earnings for financial reporting purposes; or

(C) through a special sale and remittance procedure pursuant to which Optionee (or any other person or persons exercising the option) shall concurrently provide irrevocable instructions (a) to a brokerage firm (reasonably satisfactory to the Corporation for purposes of administering such procedure in compliance with any applicable pre-clearance or pre-notification requirements) to effect the immediate sale of the Purchased Shares and remit to the Corporation, out of the sale proceeds available on the settlement date, sufficient funds to cover the aggregate Exercise

Price payable for the Purchased Shares plus all applicable income and employment taxes required to be withheld by the Corporation by reason of such exercise and (b) to the Corporation to deliver the Purchased Shares (in certificate or book entry form) directly to such brokerage firm on such settlement date in order to complete the sale.

Except to the extent the sale and remittance procedure is utilized in connection with the option exercise, payment of the Exercise Price must accompany the Exercise Notice delivered to the Corporation in connection with the option exercise.

(iii) Furnish to the Corporation appropriate documentation that the person or persons exercising the option (if other than Optionee) have the right to exercise this option.

(iv) Execute and deliver to the Corporation such written representations as may be requested by the Corporation in order for it to comply with the applicable requirements of applicable securities laws.

(v) Make appropriate arrangements with the Corporation (or Parent or Subsidiary employing or retaining Optionee) for the satisfaction of all applicable income and employment tax withholding requirements applicable to the option exercise.

(b) As soon as practical after the Exercise Date, the Corporation shall issue to or on behalf of Optionee (or any other person or persons exercising this option) a certificate for the purchased Option Shares, with the appropriate legends affixed thereto.

(c) In no event may this option be exercised for any fractional shares.

#### 10. **Transfer Restrictions.**

(a) **Restriction on Transfer.** Optionee shall not transfer, assign, encumber or otherwise dispose of any of the Purchased Shares in contravention of the Market Stand-Off.

(b) **Transferee Obligations.** Each person (other than the Corporation) to whom the Purchased Shares are transferred by means of a Permitted Transfer must, as a condition precedent to the validity of such transfer, acknowledge in writing to the Corporation that such person is bound by the provisions of this Paragraph 10 and that the transferred shares are subject to the Market Stand-Off to the same extent such shares would be so subject if retained by Optionee.

(c) **Market Stand-Off.**

(i) In connection with any underwritten public offering by the Corporation of its equity securities pursuant to an effective registration statement filed under the 1933 Act, including the Corporation's initial public offering, Owner shall not sell, make any short sale of, loan, hypothecate, pledge, grant any option for the purchase of, or otherwise dispose or transfer for value or otherwise agree to engage in any of the foregoing transactions with respect to, any Purchased Shares without the prior written consent of the Corporation or its underwriters. Such restriction (the "***Market Stand-Off***") shall be in effect for such period of time from and after the effective date of the final prospectus for the offering as may be requested by the Corporation or such underwriters. In no event, however, shall such period exceed the greater of: (a) one hundred eighty (180) days, or (b) if required by such underwriter, such longer period of time as is necessary to enable the underwriter to issue a research

report, analyst recommendation or opinion in accordance with the then-applicable rules and regulations of the Financial Regulatory Authority, Inc. and the applicable stock exchange, but in no event in excess of two hundred ten (210) days following the effective date of the registration statement relating to such offering. The Market Stand-Off shall in no event be applicable to any underwritten public offering effected after May 11, 2019 and all of the transfer restrictions and other obligations of this Paragraph 10 shall lapse at 5 pm Pacific time on May 11, 2019.

(ii) Owner shall be subject to the Market Stand-Off provided and only if the officers and directors of the Corporation are also subject to similar restrictions.

(iii) Any new, substituted or additional securities which are by reason of any Recapitalization or Reorganization distributed with respect to the Purchased Shares shall be immediately subject to the Market Stand-Off, to the same extent the Purchased Shares are at such time covered by such provisions.

(d) **Stop Transfer.** In order to enforce the Market Stand-Off, the Corporation may impose stop-transfer instructions with respect to the Purchased Shares until the end of the applicable stand-off period.

(e) **Optionee Undertaking.** Optionee hereby agrees to take whatever additional action and execute whatever additional documents the Corporation may deem necessary or advisable in order to carry out or effect one or more of the obligations or restrictions imposed on either Optionee or the Purchased Shares pursuant to the provisions of this Paragraph 10.

(f) **Survival.** The provisions of this Paragraph 10 shall survive any exercise of this option.

#### 11. **Compliance with Laws and Regulations.**

(a) The exercise of this option and the issuance of the Option Shares upon such exercise shall be subject to compliance by the Corporation and Optionee with all applicable requirements of law relating thereto and with all applicable regulations of any stock exchange on which the Common Stock may be listed for trading at the time of such exercise and issuance.

(b) The inability of the Corporation to obtain approval from any regulatory body having authority deemed by the Corporation to be necessary to the lawful issuance and sale of any Common Stock pursuant to this option shall relieve the Corporation of any liability with respect to the non-issuance or sale of the Common Stock as to which such approval shall not have been obtained. The Corporation, however, shall use its best efforts to obtain all such approvals.

12. **Successors and Assigns.** Except to the extent otherwise provided in Paragraphs 3 and 6, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and Optionee, Optionee's assigns and the legal representatives, heirs and legatees of Optionee's estate.

13. **Notices.** Any notice required to be given or delivered to the Corporation under the terms of this Agreement shall be in writing and addressed to the Corporation at its principal corporate offices. Any notice required to be given or delivered to Optionee shall be in writing and addressed to Optionee at the address indicated below Optionee's signature line on the Grant Notice. All notices shall be deemed effective upon personal delivery or upon deposit in the U.S. mail, postage prepaid and properly addressed to the party to be notified.

14. **Construction.** This Agreement and the option evidenced hereby are made and granted pursuant to the Plan and are in all respects limited by and subject to the terms of the Plan. All decisions of the Plan Administrator with respect to any question or issue arising under the Plan or this Agreement shall be conclusive and binding on all persons having an interest in this option.

15. **Governing Law.** The interpretation, performance and enforcement of this Agreement shall be governed by the laws of the State of Delaware without resort to that state's conflict-of-laws rules.

16. **Stockholder Approval.** If the Option Shares covered by this Agreement exceed, as of the Grant Date, the number of shares of Common Stock which may be issued under the Plan as last approved by the stockholders, then this option shall be void with respect to such excess shares, unless stockholder approval of an amendment sufficiently increasing the number of shares of Common Stock issuable under the Plan is obtained in accordance with the provisions of the Plan.

17. **Code 409A Waiver and Release.**

(a) Optionee hereby agrees and acknowledges that the Board has taken reasonable steps to value the Common Stock and to set the Exercise Price at the Fair Market Value per share of Common Stock on the Grant Date so that the option will not be treated as an item of deferred compensation subject to Code Section 409A. However, because the Common Stock is not readily tradable on an established securities market as of the Grant Date, there can be no assurance that the Exercise Price is at least equal to the Fair Market Value per share of Common Stock on the Grant Date. Were the Internal Revenue Service to conclude that the Exercise Price is in fact less than such Fair Market Value and that the option is accordingly subject to Code Section 409A, then Optionee would be subject to the following adverse tax consequences:

(i) As the option vests in accordance with the Exercise Schedule, Optionee would immediately recognize taxable income for federal income tax purposes equal to the amount by which the Fair Market Value of the Option Shares which vest at that time exceeds the Exercise Price payable for those shares. The Corporation would also have to collect from Optionee the federal income and employment taxes which must be withheld on that income. Taxation would occur in this manner even though the option remains unexercised.

(ii) Optionee may also be subject to additional income taxation and withholding taxes on any subsequent increases to the Fair Market Value of the Option Shares purchasable under the vested option until the option is exercised or cancelled as to those Option Shares.

(iii) In addition to normal income taxes payable as the option vests, Optionee would also be subject to an additional tax penalty equal to 20% of the amount of income Optionee recognizes under Code Section 409A when the option vests and may also be subject to such penalty as the underlying Option Shares subsequently increase in Fair Market Value over the period the option continues to remain outstanding.

(iv) There will also be interest penalties if the resulting taxes are not paid on a timely basis.

(b) Optionee hereby further agrees and acknowledges that Optionee may incur the same or similar tax consequences, including (without limitation) a second penalty tax, under state income tax laws. Optionee accepts the risk of any unfavorable tax consequences under applicable state laws to options granted with an Exercise Price less than the Fair Market Value of the Option Shares on the Grant Date.

(c) Optionee hereby agrees to bear the entire risk of such adverse federal and state tax consequences in the event the option is deemed to be subject to Code Section 409A and hereby knowingly and voluntarily, in consideration for the grant of the option, waives and releases any and all claims or causes of action that Optionee might otherwise have against the Corporation and/or its Board, officers, employees or stockholders arising from or relating to the tax treatment of the option under Code Section 409A and the corresponding provisions of any applicable state income tax laws and shall not seek any indemnification or other recovery of damages against the Corporation and/or its Board, officers, employees or stockholders with respect to any adverse federal and state tax consequences or other related costs and expenses Optionee may in fact incur under Code Section 409A (or the corresponding provisions of state income tax laws) as a result of the option.

18. **Additional Terms Applicable to an Incentive Option.** In the event this option is designated an Incentive Option in the Grant Notice, the following terms and conditions shall also apply to the grant:

(a) This option shall cease to qualify for favorable tax treatment as an Incentive Option if (and to the extent) this option is exercised for one or more Option Shares: (i) more than three (3) months after the date Optionee ceases to be an Employee for any reason other than death or Permanent Disability or (ii) more than twelve (12) months after the date Optionee ceases to be an Employee by reason of Permanent Disability.

(b) This option shall not become exercisable in the calendar year in which granted if (and to the extent) the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which this option would otherwise first become exercisable in such calendar year would, when added to the aggregate value (determined as of the respective date or dates of grant) of the Common Stock and any other securities for which one or more other Incentive Options granted to Optionee prior to the Grant Date (whether under the Plan or any other option plan of the Corporation or any Parent or Subsidiary) first become exercisable during the same calendar year, exceed One Hundred Thousand Dollars (\$100,000) in the aggregate. To the extent the exercisability of this option is deferred by reason of the foregoing limitation, the deferred portion shall become exercisable in the first calendar year or years thereafter in which the One Hundred Thousand Dollar (\$100,000) limitation of this Paragraph 19(b) would not be contravened, but such deferral shall in all events end immediately prior to the effective date of a Change in Control in which this option is not to be assumed or otherwise continued in effect, whereupon the option shall become immediately exercisable as a Non-Statutory Option for the deferred portion of the Option Shares.

(c) Should Optionee hold, in addition to this option, one or more other options to purchase Common Stock which become exercisable for the first time in the same calendar year as this option, then for purposes of the foregoing limitations on the exercisability of such options as Incentive Options, this option and each of those other options shall be deemed to become first exercisable in that calendar year on the basis of the chronological order in which they were granted, except to the extent otherwise provided under applicable law or regulation.



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**APPENDIX**

The following definitions shall be in effect under the Agreement:

A. **Agreement** shall mean this Stock Option Agreement.

B. **Board** shall mean the Corporation's Board of Directors.

C. **Change in Control** shall mean a change in ownership or control of the Corporation effected through any of the following transactions:

(i) a merger, consolidation or other reorganization approved by the Corporation's stockholders, unless securities representing more than fifty percent (50%) of the total combined voting power of the voting securities of the successor corporation are immediately thereafter beneficially owned, directly or indirectly and in substantially the same proportion, by the persons who beneficially owned the Corporation's outstanding voting securities immediately prior to such transaction, or

(ii) a stockholder-approved sale, transfer or other disposition of all or substantially all of the Corporation's assets in liquidation or dissolution of the Corporation, or

(iii) the acquisition, directly or indirectly by any person or related group of persons (other than the Corporation or a person that directly or indirectly controls, is controlled by, or is under common control with, the Corporation), of beneficial ownership (within the meaning of Rule 13d-3 of the 1934 Act) of securities possessing more than fifty percent (50%) of the total combined voting power of the Corporation's outstanding securities pursuant to a tender or exchange offer made directly to the Corporation's stockholders.

In no event shall any public offering of the Corporation's securities be deemed to constitute a Change in Control.

D. **Code** shall mean the Internal Revenue Code of 1986, as amended.

E. **Common Stock** shall mean the Corporation's common stock.

F. **Corporation** shall mean Veritone, Inc., a Delaware corporation, and any successor corporation to all or substantially all of the assets or voting stock of Veritone, Inc. which shall by appropriate action assume this option.

G. **Disability** shall mean the inability of Optionee to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment and shall be determined by the Plan Administrator on the basis of such medical evidence as the Plan Administrator deems warranted under the circumstances. Disability shall be deemed to constitute **Permanent Disability** in the event that such Disability is expected to result in death or has lasted or can be expected to last for a continuous period of twelve (12) months or more.

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H. **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary), subject to the control and direction of the employer entity as to both the work to be performed and the manner and method of performance.

I. **Exercise Date** shall mean the date on which the option shall have been exercised in accordance with Paragraph 9 of the Agreement.

J. **Exercise Price** shall mean the exercise price payable per Option Share as specified in the Grant Notice.

K. **Exercise Schedule** shall mean the Exercise Schedule specified in the Grant Notice pursuant to which Optionee is to vest in the Option Shares in a series of installments over his or her period of Service.

L. **Exercise Notice** shall have the meaning assigned to such term in Paragraph 9(a)(i).

M. **Expiration Date** shall mean the date on which the option expires as specified in the Grant Notice.

N. **Fair Market Value** per share of Common Stock on any relevant date shall be determined in accordance with the following provisions:

(i) If the Common Stock is at the time traded on the Nasdaq Global or Global Select Market, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question, as the price is reported by the National Association of Securities Dealers for that particular Stock Exchange and published in The Wall Street Journal. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(ii) If the Common Stock is at the time listed on any other Stock Exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question on the Stock Exchange determined by the Plan Administrator to be the primary market for the Common Stock, as such price is officially quoted in the composite tape of transactions on such exchange and published in The Wall Street Journal. If there is no closing selling price for the Common Stock on the date in question, then the Fair Market Value shall be the closing selling price on the last preceding date for which such quotation exists.

(iii) If the Common Stock is not at the time listed on any Stock Exchange, then the Fair Market Value shall be determined by the Plan Administrator through the reasonable application of a reasonable valuation method that takes into account the applicable valuation factors set forth in the Treasury Regulations issued under Section 409A of the Code; provided, however, that if the option is designated as an Incentive Option in the Grant Notice, then such Fair Market Value shall be determined in accordance with the standards of Section 422 and the applicable Treasury Regulations thereunder.

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O. **Family Member** shall mean any of the following members of Optionee's family: any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law or sister-in-law.

P. **Grant Date** shall mean the date of grant of the option as specified in the Grant Notice.

Q. **Grant Notice** shall mean the Notice of Grant of Stock Option accompanying the Agreement, pursuant to which Optionee has been informed of the basic terms of the option evidenced hereby.

R. **Incentive Option** shall mean an option which satisfies the requirements of Code Section 422.

S. **Market Stand-Off** shall mean the market stand-off restriction specified in Paragraph 10(c).

T. **Misconduct** shall mean the commission of any act of fraud, embezzlement or dishonesty by Optionee, any unauthorized use or disclosure by Optionee of confidential information or trade secrets of the Corporation (or any Parent or Subsidiary), or any other intentional misconduct by Optionee adversely affecting the business or affairs of the Corporation (or any Parent or Subsidiary) in a material manner. The foregoing definition shall not in any way preclude or restrict the right of the Corporation (or any Parent or Subsidiary) to discharge or dismiss Optionee or any other person in the Service of the Corporation (or any Parent or Subsidiary) for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of the Plan or this Agreement, to constitute grounds for termination for Misconduct.

U. **1933 Act** shall mean the Securities Act of 1933, as amended.

V. **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

W. **Non-Statutory Option** shall mean an option not intended to satisfy the requirements of Code Section 422.

X. **Option Shares** shall mean the number of shares of Common Stock subject to the option.

Y. **Optionee** shall mean the person to whom the option is granted as specified in the Grant Notice.

Z. **Owner** shall mean Optionee and all subsequent holders of the Purchased Shares who derive their chain of ownership through a Permitted Transfer from Optionee.

AA. **Parent** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations ending with the Corporation, provided each corporation in the unbroken chain (other than the Corporation) owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

BB. **Permitted Transfer** shall mean (i) a gratuitous transfer of the Purchased Shares to one or more of the Optionee's Family Members or to a trust established for Optionee or one or more such Family Members, provided and only if Optionee obtains the Corporation's prior written consent to such transfer, (ii) a transfer of title to the Purchased Shares effected pursuant to Optionee's will or the laws of inheritance following Optionee's death or (iii) a transfer to the Corporation in pledge as security for any purchase-money indebtedness incurred by Optionee in connection with the acquisition of the Purchased Shares.

CC. **Plan** shall mean the Corporation's 2014 Stock Option/Stock Issuance Plan.

DD. **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

EE. **Purchased Shares** shall mean the number of Option Shares purchased upon an exercise of this option.

FF. **Recapitalization** shall mean any of the following transactions affecting the Corporation's outstanding Common Stock as a class without the Corporation's receipt of consideration: any stock split, stock dividend, spin-off transaction, extraordinary distribution (whether in cash, securities or other property), recapitalization, combination of shares, exchange of shares or other similar transaction affecting the Common Stock without the Corporation's receipt of consideration.

GG. **Reorganization** shall mean any of the following transactions:

- (i) a merger or consolidation in which the Corporation is not the surviving entity,
- (ii) a sale, transfer or other disposition of all or substantially all of the Corporation's assets,
- (iii) a reverse merger in which the Corporation is the surviving entity but in which the Corporation's outstanding voting securities are transferred in whole or in part to a person or persons different from the persons holding those securities immediately prior to the merger, or
- (iv) any transaction effected primarily to change the state in which the Corporation is incorporated or to create a holding company structure.

HH. **Service** shall mean Optionee's performance of services for the Corporation (or any Parent or Subsidiary, whether now existing or subsequently established) in the capacity of an Employee, a non-employee member of the board of directors or a consultant or independent advisor. For purposes of this Agreement, Optionee shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) Optionee no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary or (ii) the entity for which Optionee is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though Optionee may subsequently continue to perform active services for that entity. Service shall not be deemed to cease during a period of military leave, sick leave or other personal leave approved by the Corporation; provided, however, that should such leave of absence exceed three (3) months, then for purposes of determining the period within which the Option (if designated as an Incentive Option in the Grant Notice) may be exercised as such an Incentive Option under the federal tax laws, Optionee's

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Service shall be deemed to cease on the first day immediately following the expiration of such three (3)-month period, unless Optionee is provided with the right to return to Service following such leave either by statute or by written contract. Except to the extent otherwise required by law or expressly authorized by the Plan Administrator or by the Corporation's written policy on leaves of absence, no Service credit shall be given for vesting purposes for any period Optionee is on a leave of absence.

II. **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

JJ. **Subsidiary** shall mean any corporation (other than the Corporation) in an unbroken chain of corporations beginning with the Corporation, provided each corporation (other than the last corporation) in the unbroken chain owns, at the time of the determination, stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**LIST OF SUBSIDIARIES**

<b><u>Company</u></b>	<b><u>Jurisdiction of Incorporation</u></b>
Veritone One, Inc.	Delaware
Veritone Enterprise, LLC	Delaware
Veritone Delaware, Inc.	Delaware
Veritone, LLC	Delaware
Veritone Consumer, LLC	Delaware
Veritone Finance, LLC	Delaware
Veritone Politics, LLC	Delaware
Veritone Technology, LLC	Delaware
Veritone UK Ltd.	United Kingdom

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the inclusion in this Registration Statement of Veritone, Inc. on Form S-1 of our report, which includes an explanatory paragraph as to the Company's ability to continue as a going concern dated March 15, 2017, except for the effects of the restatement as discussed in Note 2 and reverse stock split as discussed in Note 10 to the consolidated financial statements, as to which the date is April 20, 2017, with respect to our audits of the consolidated financial statements of Veritone, Inc. as of December 31, 2016 and 2015 and for the years then ended, which report appears in the Prospectus, which is part of this Registration Statement. We also consent to the reference to our Firm under the heading "Experts" in such Prospectus.

*/s/ Marcum LLP*

Marcum LLP  
Irvine, California  
November 14, 2017