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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **March 31, 2018**

OR

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

Commission File Number: **001-38093**

Veritone, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

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

575 Anton Blvd., Costa Mesa, CA 92626
(Address of principal executive offices, including zip code)

(888) 507-1737
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, anon-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. (Check one):

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

As of April 30, 2018, 16,275,315 shares of the registrant's common stock were outstanding.

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VERITONE, INC.
QUARTERLY REPORT ON FORM 10-Q
March 31, 2018

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (“Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (“Exchange Act”) and we intend that such forward-looking statements be subject to the safe harbors created thereby. For this purpose, any statements made in this Quarterly Report on Form 10-Q that are not historical or current facts may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as “anticipates,” “believes,” “seeks,” “estimates,” “expects,” “intends,” “continue,” “can,” “may,” “plans,” “potential,” “projects,” “should,” “could,” “will,” “would” or similar expressions and the negatives of those expressions are intended to identify forward-looking statements. Such statements include, but are not limited to, any statements that refer to projections of our future financial condition and results of operations, capital needs and financing plans, competitive position, industry environment, potential growth and market opportunities, acquisition plans and strategies, compensation plans, governance structure and policies and/or the price of our common stock.

The forward-looking statements included herein represent our management’s current expectations and assumptions based on information available as of the date of this Quarterly Report on Form 10-Q. These 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. Factors that could cause our actual results to differ materially from our forward-looking statements include, but are not limited to, those discussed in more detail in Item 2 (Management’s Discussion and Analysis of Financial Condition and Results of Operations) of Part I of this Quarterly Report on Form 10-Q, and in Item 1 (Business) and Item 1A (Risk Factors) of Part I of our Annual Report on Form 10-K for the year ended December 31, 2017. Readers should carefully review these risks, as well as the additional risks described in other documents we file from time to time with the Securities and Exchange Commission. In light of the significant risks and uncertainties inherent in the forward-looking information included herein, the inclusion of such information should not be regarded as a representation by us or any other person that such results will be achieved, and readers are cautioned not to place undue reliance on such forward-looking information, which speak only as of the date of this Quarterly Report on Form 10-Q.

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 publicly, 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.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

VERITONE, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except per share and share data)
(Unaudited)

	As of	
	March 31, 2018	December 31, 2017
ASSETS		
Cash and cash equivalents	\$ 21,026	\$ 29,545
Marketable securities	33,492	39,598
Accounts receivable, net of allowance for doubtful accounts of \$27 and \$38, respectively	9,686	7,691
Expenditures billable to clients	5,063	4,163
Prepaid expenses and other current assets	2,300	2,808
Total current assets	71,567	83,805
Property, equipment and improvements, net	2,324	680
Intangible assets, net	2,918	3,154
Other assets	919	919
Total assets	<u>\$ 77,728</u>	<u>\$ 88,558</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$ 11,585	\$ 13,338
Accrued media payments	6,912	5,999
Client advances	5,240	3,477
Other accrued liabilities	2,845	4,442
Total current liabilities	26,582	27,256
Commitment and contingencies (Note 6)		
Stockholders' equity		
Common stock, par value \$0.001 per share; 75,000,000 shares authorized; 16,254,054 and 16,158,883 shares issued and outstanding at March 31, 2018 and December 31, 2017, respectively	16	16
Additional paid-in capital	173,817	170,728
Accumulated deficit	(122,479)	(109,307)
Accumulated other comprehensive loss	(208)	(135)
Total stockholders' equity	51,146	61,302
Total liabilities and stockholders' equity	<u>\$ 77,728</u>	<u>\$ 88,558</u>

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

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VERITONE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE LOSS
(in thousands, except per share and share data)
(Unaudited)

	Three Months Ended	
	March 31,	
	2018	2017
Net revenues	\$ 4,388	\$ 3,108
Cost of revenues	564	196
Gross Profit	3,824	2,912
Operating expenses		
Selling and marketing expenses	5,748	2,599
Research and development expenses	4,528	3,264
General and administrative expenses	6,778	3,680
Total operating expenses	17,054	9,543
Loss from operations	(13,230)	(6,631)
Other income, net	183	786
Loss before provision for income taxes	(13,047)	(5,845)
Provision for income taxes	2	2
Net loss	(13,049)	(5,847)
Accretion of redeemable convertible preferred stock	—	(1,073)
Net loss attributable to common stockholders	\$ (13,049)	\$ (6,920)
Net loss per share attributable to common stockholders:		
Basic and diluted	\$ (0.81)	\$ (3.09)
Weighted average shares outstanding attributable to common stockholders:		
Basic and diluted	16,069,549	2,239,392
Comprehensive loss:		
Net loss	\$ (13,049)	\$ (5,847)
Unrealized loss on marketable securities, net of income taxes	(63)	—
Foreign currency translation adjustments, net of income taxes	(10)	—
Total comprehensive loss	\$ (13,122)	\$ (5,847)

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

VERITONE, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	Three Months Ended	
	March 31,	
	2018	2017
Cash flows from operating activities:		
Net loss	\$(13,049)	\$ (5,847)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	355	59
Provision for doubtful accounts	28	67
Amortization of debt discounts and issuance costs	—	2,054
Change in fair value of warrant liability	—	(3,118)
Share-based compensation expense	2,474	125
Changes in assets and liabilities:		
Accounts receivable	(2,023)	(2,915)
Expenditures billable to clients	(900)	(1,484)
Prepaid expenses and other current assets	541	(2,111)
Accounts payable	(1,753)	4,328
Accrued media payments	913	—
Client advances	1,763	4,012
Other accrued liabilities	(1,597)	(282)
Net cash used in operating activities	<u>(13,248)</u>	<u>(5,112)</u>
Cash flows from investing activities:		
Proceeds from sales of marketable securities	6,000	—
Capital expenditures	(1,693)	—
Intangible assets acquired	(70)	(30)
Net cash provided by (used in) investing activities	<u>4,237</u>	<u>(30)</u>
Cash flows from financing activities:		
Proceeds from issuance of convertible notes payable	—	2,000
Common stock offering costs	(64)	(83)
Debt issuance costs	—	(15)
Proceeds from issuances of stock under employee stock plans	556	—
Other	—	(56)
Net cash provided by financing activities	<u>492</u>	<u>1,846</u>
Net decrease in cash and cash equivalents	<u>(8,519)</u>	<u>(3,296)</u>
Cash and cash equivalents, beginning of period	<u>29,545</u>	<u>12,078</u>
Cash and cash equivalents, end of period	<u>\$ 21,026</u>	<u>\$ 8,782</u>
Supplemental Disclosure of Cash Flow Information		
Non-cash financing activities:		
Unpaid deferred IPO costs	\$ —	\$ 263

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

VERITONE, INC.
Notes to the Condensed Consolidated Financial Statements
(in thousands, except share and per share data and percentages)
(Unaudited)

Note 1. DESCRIPTION OF BUSINESS

Description of Business

Veritone, Inc., a Delaware corporation (“Veritone”) (together with its wholly owned subsidiaries, collectively, the “Company”), is a provider of artificial intelligence (“AI”) computing solutions. The Company has developed aiWARE™, a proprietary AI operating system 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. The Company’s aiWARE platform (“AI platform”) integrates and orchestrates an open ecosystem of best-of-breed cognitive engines, together with a suite of powerful applications, to reveal valuable multivariate insights from vast amounts of structured and unstructured data. The platform stores the cognitive engine results in a time-correlated database, creating an online, searchable index 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 or video data and other unstructured data, including, without limitation, media, legal, government, politics and other 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 analyze the effectiveness of advertising in a way that is simple, scalable and trackable.

NOTE 2. PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Preparation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial statements and the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, they do not contain all information and footnotes required by GAAP for annual financial statements. Such unaudited condensed consolidated financial statements and accompanying notes are the representations of the Company’s management, who is responsible for their integrity and objectivity. The information included in this Form 10-Q should be read in conjunction with the information included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on March 9, 2018. The results for the interim periods are not necessarily indicative of the results the Company will have for the full year ending December 31, 2018.

The accompanying condensed consolidated financial statements have been prepared on the same basis as the annual financial statements 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. All significant intercompany transactions have been eliminated in consolidation. The financial data and the other information disclosed in these notes to the condensed consolidated financial statements reflected in the three-month periods presented are unaudited. The December 31, 2017 balance sheet included herein was derived from the audited financial statements but does not include all disclosures or notes required by GAAP for complete financial statements.

Use of Accounting Estimates

The preparation of the accompanying condensed 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 condensed consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. The principal estimates relate to revenue recognition, allowance for doubtful accounts, and the valuation of stock awards and stock warrants. Actual results could differ from those estimates.

Concentration of Risk

The Company’s ten largest customers by revenue accounted for approximately 58.7% and 76.6% of its net revenues in the three months ended March 31, 2018 and 2017, respectively.

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Significant Accounting Policies

Beginning in the first quarter of 2018, the Company adopted Accounting Standards Update (“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. Upon the adoption of this accounting standard, the Company will recognize only actual forfeitures and not estimated forfeitures in its share-based compensation expense. As a result, the Company recorded the cumulative impact of this new accounting standard as a charge to its retained earnings in 2018 of \$123.

There were no other material changes in the Company’s significant accounting policies from those disclosed in its Annual Report on Form 10-K for the year ended December 31, 2017.

Reclassifications

Certain reclassifications have been made to prior year amounts for consistency and to enhance comparability with the current year’s financial statements presentation. There was no impact on total assets, total stockholders’ equity, accumulated deficit, or net loss resulting from these reclassifications.

Earnings Per Share

The following table presents the computation of basic and diluted net loss per share attributable to common stockholders:

	Three Months Ended	
	March 31,	
	2018	2017
Numerator		
Net Loss	(13,049)	(5,847)
Accretion of redeemable convertible preferred stock	—	(1,073)
Net loss attributable to common stockholders	<u>\$ (13,049)</u>	<u>\$ (6,920)</u>
Denominator		
Weighted-average common shares outstanding	16,208,692	2,577,919
Less: Weighted-average shares subject to repurchase	<u>(139,143)</u>	<u>(338,527)</u>
Denominator for basic and diluted net loss per share attributable to common stockholders	<u>16,069,549</u>	<u>2,239,392</u>
Basic and diluted net loss per share attributable to common stockholders	<u>\$ (0.81)</u>	<u>\$ (3.09)</u>

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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):

	Three Months Ended	
	March 31,	
	2018	2017
Common stock options and restricted stock units	4,703,801	656,116
Warrants to purchase common stock	1,524,573	2,383,815
Shares issuable upon conversion of the Acacia Note	—	1,512,392
Shares issuable upon conversion of Bridge Loan	—	147,302
Shares issuable upon conversion of redeemable convertible preferred stock	—	5,181,416
	<u>6,228,374</u>	<u>9,881,041</u>

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASUNo. 2014-09, “Revenue from Contracts with Customers (Topic 606)” (ASU2014-09), 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. 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 (ASU2016-08); 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 new revenue standards will be effective for the Company beginning in the first quarter of 2019. The Company is currently evaluating the impact of adopting the new revenue standards on its consolidated financial statements.

In February 2016, the FASB issued ASUNo. 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 standard will be effective for the Company beginning with the first quarter of 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 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 standard will be effective for the Company beginning in the first quarter of 2019, with early adoption permitted. The Company is currently evaluating the impact that the adoption of this new standard will have on its consolidated financial statements.

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NOTE 3. FINANCIAL INSTRUMENTS

Cash and Cash Equivalents and Marketable Securities

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 cost, gross unrealized losses and fair value, with a breakdown by significant investment category, of the Company's cash and cash equivalents and marketable securities as of March 31, 2018:

	Cost	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	\$ 4,590	\$ —	\$ 4,590	\$ 4,590	\$ —
Level 1:					
Money market funds	16,436	—	16,436	16,436	—
Level 2:					
U.S. government securities	4,501	(19)	4,482	—	4,482
Commercial paper	2,992	(5)	2,987	—	2,987
Corporate debt securities	26,196	(173)	26,023	—	26,023
Corporate securities	33,689	(197)	33,492	—	33,492
Total	<u>\$54,715</u>	<u>\$ (197)</u>	<u>\$54,518</u>	<u>\$ 21,026</u>	<u>\$ 33,492</u>

As of December 31, 2017, the Company's cash and cash equivalents and marketable securities balances were as follows:

	Cost	Gross Unrealized Losses	Fair Value	Cash and Cash Equivalents	Marketable Securities
Cash	\$ 8,925	\$ —	\$ 8,925	\$ 8,925	\$ —
Level 1:					
Money market funds	20,620	—	20,620	20,620	—
Level 2:					
U.S. government securities	4,505	(17)	4,488	—	4,488
Commercial paper	4,959	(5)	4,954	—	4,954
Corporate debt securities	30,268	(112)	30,156	—	30,156
Corporate securities	39,732	(134)	39,598	—	39,598
Total	<u>\$69,277</u>	<u>\$ (134)</u>	<u>\$69,143</u>	<u>\$ 29,545</u>	<u>\$ 39,598</u>

The Company may sell certain of its marketable securities prior to their stated maturities for strategic reasons including, but not limited to, anticipation of credit deterioration and duration management. As of March 31, 2018, the Company considered the declines in market value of its marketable securities to be temporary in nature. The Company typically invests in highly-rated securities, and its investment policy generally limits the amounts that may be invested with any one issuer. The policy generally requires investments to be investment grade, with the primary objective of minimizing the potential risk of principal loss. Fair values were determined for each individual security in the securities portfolio.

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Stock Warrants

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 weighted expected 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 was used, and the value of the Company's stock warrants would decrease if a lower risk-free interest rate was 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.

In 2016, in connection with the Investment Agreement between the Company and Acacia Research Corporation ("Acacia") and the convertible secured promissory note issued by the Company to Acacia (the "Acacia Note"), the Company issued three four-year warrants (the "Acacia Note Warrants") and a five-year warrant (the "Primary Warrant"). In March 2017, each of the Primary Warrant and the Acacia Note Warrants was amended to provide that the exercise prices thereof shall be equal to the lower of \$13.6088 or the Company's IPO price per share.

The following table summarizes quantitative information with respect to the significant unobservable inputs that were used to value these stock warrants that were modified in the three months ended March 31, 2017. These inputs are categorized as Level 3 within the fair value hierarchy:

	<u>March 31, 2017</u>
Volatility	65%
Risk-free rate	0.92% - 1.64%
Discount for lack of marketability	10%

The following table represents a rollforward of the fair value of the Primary Warrant in the three months ended March 31, 2017:

Balance, December 31, 2016	\$ 7,114
Less: Change in fair value of warrant liability	<u>(3,118)</u>
Balance, March 31, 2017	<u>\$ 3,996</u>

In the first quarter of 2017, the total fair value of the Acacia Note Warrants increased by \$334 to \$841.

In March 2017, the Company entered into a Note Purchase Agreement with Acacia and Veritone LOC I, LLC ("VLOC"), (collectively the "Bridge Loan Lenders"), which provided for an \$8 million line of credit pursuant to secured convertible notes (the "Bridge Loan"). In connection with the funding of the Bridge Loan in March 2017, the Company issued to the Bridge Loan Lenders warrants to purchase shares of the Company's common stock. The following table summarizes quantitative information with respect to the significant unobservable inputs used for the valuation of the Company's warrants which were issued to the Bridge Loan Lenders; these inputs are categorized as Level 3 within the fair value hierarchy:

Volatility	70%
Risk-free rate	2.40%
Discount for lack of marketability	10%

The fair value of the Bridge Loan Warrants was \$549 as of March 31, 2017.

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NOTE 4. INTANGIBLE ASSETS, NET

Intangible assets, net consisted of the following:

	As of	
	March 31, 2018	December 31, 2017
Acquired software and technology	\$ 3,074	\$ 3,004
Capitalized software	471	471
Other	30	30
	<u>3,575</u>	<u>3,505</u>
Less: accumulated amortization	(657)	(351)
Intangible assets, net	<u>\$ 2,918</u>	<u>\$ 3,154</u>

These definite-lived assets will be amortized over a period of three years. During the three months ended March 31, 2018 and 2017, the Company recorded amortization expense of \$306 and \$48, respectively, related to these definite-lived assets.

NOTE 5. CONSOLIDATED FINANCIAL STATEMENTS DETAILS

Consolidated Balance Sheets Details

Property, Equipment and Improvements, Net

Property, equipment and improvements, net consisted of the following:

	As of	
	March 31, 2018	December 31, 2017
Property and equipment	\$ 539	\$ 378
Leasehold improvements	1,994	27
Construction in progress	—	435
	<u>2,533</u>	<u>840</u>
Less: accumulated depreciation	(209)	(160)
Property, equipment and improvements, net	<u>\$ 2,324</u>	<u>\$ 680</u>

The construction in progress balance at December 31, 2017 consisted primarily of expenditures related to the build out of office space at the Company's headquarters, which was completed in March 2018. Depreciation expense was \$49 and \$52 for the three months ended March 31, 2018 and 2017, respectively.

Other Accrued Liabilities

Other accrued liabilities were comprised of the following:

	As of	
	March 31, 2018	December 31, 2017
Accrued compensation and benefits	\$ 1,908	\$ 3,117
Other	937	1,325
Total	<u>\$ 2,845</u>	<u>\$ 4,442</u>

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Consolidated Statement of Operations and Comprehensive Loss Details

Net Revenues

Net revenues for the periods presented were comprised of the following:

	Three Months Ended	
	March 31,	
	2018	2017
Media agency revenues	\$ 3,121	\$ 2,899
AI platform revenues	1,267	209
Total net revenues	<u>\$ 4,388</u>	<u>\$ 3,108</u>

During the three months ended March 31, 2018 and 2017, the Company made \$29,420 and \$26,723, respectively, in gross media placements, of which \$25,573 and \$19,423, respectively, were billed directly to clients. Of the amounts billed directly to clients, \$22,510 and \$16,524 represented media-related costs netted against billings during the three months ended March 31, 2018 and 2017, respectively.

Other Income, Net

Other income, net for the periods presented were comprised of the following:

	Three Months Ended	
	March 31,	
	2018	2017
Interest expense	\$ —	\$ (2,355)
Interest income	181	1
Gain on fair value change of warrant liability	—	3,118
Other	2	22
Other income, net	<u>\$ 183</u>	<u>\$ 786</u>

Interest expense for the three months ended March 31, 2017 included amortization of deferred debt discounts and issuance costs of \$2,054 related to the Company's convertible notes payable.

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NOTE 6. COMMITMENTS AND CONTINGENCIES

Employment Agreements

In March 2017, the Company entered into a three-year employment agreement with Chad Steelberg, the Company's Chief Executive Officer, pursuant to which the Company agreed to issue to Mr. Steelberg as compensation at the end of each calendar quarter during the term of the agreement (following March 31, 2017) a number of shares of common stock calculated by dividing \$125 by the fair market value (as defined in the agreement) of the Company's common stock. In March 2018, the Compensation Committee of the Board of Directors of the Company approved a base salary and target bonus for Mr. Steelberg for 2018, which amended the compensation terms of his employment agreement. As a result, Mr. Steelberg now receives an annual cash base salary of \$250, and the Company is no longer required to issue stock to him on a quarterly basis.

Other Contingencies

From time to time, the Company may be involved in legal proceedings arising from the ordinary course of its business. In the opinion of management, the Company has not incurred a material loss with respect to loss contingencies for asserted legal and other claims.

NOTE 7. STOCKHOLDERS' EQUITY

Common Stock Warrants

As of March 31, 2018 and December 31, 2017, warrants to purchase the Company's common stock in the aggregate of 1,524,573 were outstanding, of which 652,122 warrants had not yet vested.

NOTE 8. STOCK PLANS

Stock-Based Compensation

The Company's stock-based compensation expense recognized for the periods presented was as follows:

	Three Months Ended March 31,	
	2018	2017
<i>Stock-based compensation expense by type of award:</i>		
Restricted stock	\$ 48	\$ 76
Restricted stock units	218	—
Stock options	2,036	49
Employee stock purchase plan	172	—
Total	<u>\$ 2,474</u>	<u>\$ 125</u>
<i>Stock-based compensation expense by operating expense grouping:</i>		
Sales and marketing	\$ 320	\$ 39
Research and development	241	12
General and administrative	1,913	74
	<u>\$ 2,474</u>	<u>\$ 125</u>

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Restricted Stock

The Company's restricted stock activity for the three months ended March 31, 2018 was as follows:

	<u>Shares</u>	<u>Weighted Average Grant Date Fair Value</u>
Unvested at December 31, 2017	147,456	\$ 6.30
Granted	—	\$ —
Forfeited	(1,750)	\$ 7.50
Vested	(13,809)	\$ 3.17
Unvested at March 31, 2018	<u>131,897</u>	\$ 6.61

At March 31, 2018, total unrecognized compensation cost related to restricted stock was \$742, which is expected to be recognized over a period of 2.1 years.

Restricted Stock Units

The Company's restricted stock units activity for the three months ended March 31, 2018 was as follows:

	<u>Shares</u>	<u>Average Grant Date Fair Value</u>
Unvested at December 31, 2017	35,576	\$ 14.76
Granted	11,137	\$ 14.69
Forfeited	—	\$ —
Vested	(5,568)	\$ 14.69
Unvested at March 31, 2018	<u>41,145</u>	\$ 14.75

As of March 31, 2018, total unrecognized compensation cost related to restricted stock units was \$143, which is expected to be recognized over a period of 0.4 year.

Stock Options

The Company's stock option activity for the three months ended March 31, 2018 was as follows:

	<u>Options</u>	<u>Exercise Price</u>	<u>Weighted-Average Remaining Contractual Term</u>	<u>Aggregate Intrinsic Value</u>
Outstanding at December 31, 2017	4,802,594	\$ 13.89	9.17 years	\$ 44,974
Granted	433,341	\$ 15.02		
Exercised	(55,541)	\$ 1.80		
Forfeited	(245,238)	\$ 17.46		
Expired	(1,425)	\$ 12.24		
Outstanding at March 31, 2018	<u>4,933,731</u>	\$ 13.95	9.03 years	\$ 6,006
Exercisable at March 31, 2018	1,978,465	\$ 12.80	8.71 years	\$ 3,992

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The aggregate intrinsic values in the table above represents the difference between the fair market value of the Company's common stock and the average option exercise price of in-the-money options multiplied by the number of such options. The weighted average grant date fair value of stock options granted during the three months ended March 31, 2018 was \$7.91 per share. The aggregate intrinsic value of the options exercised during the three months ended March 31, 2018 was \$692. The total grant date fair value of stock options vested during the three months ended March 31, 2018 was \$1,761. At March 31, 2018, total unrecognized compensation expense related to stock options was \$23,339 and is expected to be recognized over a weighted average period of 2.7 years.

Employee Stock Purchase Plan

On January 31, 2018, a total of 35,812 shares of common stock were purchased under the Company's Employee Stock Purchase Plan. As of March 31, 2018, accrued employee contributions for future purchases under the Employee Stock Purchase Plan totaled \$213.

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Item 2. 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 the condensed consolidated financial statements and related notes that are included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2017. This discussion contains forward-looking statements based upon current expectations that involve risks and uncertainties. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of various factors, including those discussed under “Risk Factors,” set forth in Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2017. See “Special Note Regarding Forward-Looking Statements” above at page 1.

Overview

Our company has two business lines: our media advertising agency business (“Media Agency Business”) and our aiWARE artificial intelligence (“AI”) platform business (“AI Platform Business”).

Media Agency Business

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

The key performance indicators for our Media Agency Business include: (i) number of new clients, (ii) total number of clients with active media campaigns, (iii) average media spend per client, and (iv) net revenue. Tracking the number of new and active clients provides us with insight regarding our ability to grow the market share of our Media Agency Business by winning new clients, as well as regarding client churn. By tracking media spend by client, we can analyze not only spending trends, but our ability to grow media spend with existing clients. The following table sets forth the results for each of our key performance indicators for each of the last five quarters ended March 31, 2018.

	Quarter Ended				
	Mar 31, 2017	June 30, 2017	Sept 30, 2017	Dec 31, 2017	Mar 31, 2018
Net new media clients added during quarter	8	16	9	14	14
Clients with active media campaigns during quarter	39	45	49	57	60
Average media spend per active client during quarter (in 000’s)	\$ 670	\$ 695	\$ 649	\$ 464	\$ 490
Net revenue during quarter (in 000’s)	\$2,899	\$ 3,739	\$3,288	\$3,023	\$3,121

Our Media Agency Business has experienced and may continue to experience volatility in net revenues due to a number of factors, including: (i) the timing of new large account wins; (ii) loss of clients who choose to replace our services by bringing their advertising placement in-house; (iii) clients who experience reductions in their advertising budgets due to issues with their own business; (iv) losses of clients who change providers from time to time based largely on pricing; and (v) the seasonality of the campaigns for certain large clients. Our Media Agency Business also relies on certain large key clients and has historically generated a significant portion of our net revenues from a few major clients. For the quarter ended March 31, 2018, our ten largest Media Agency clients by revenue collectively accounted for approximately 61% of our Media Agency net revenues, compared with 82% for the quarter ended March 31, 2017.

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AI Platform Business

We have developed aiWARE™, a proprietary AI operating system 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 platform 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 platform incorporates proprietary technology to integrate and intelligently orchestrate a wide variety of cognitive engine capabilities 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 time-correlated database, creating a rich, online, searchable index of the structured and unstructured data that users can use and analyze in near real-time through the platform's suite of applications to drive business processes and insights. Our 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 by users in a broad range of markets that capture or use audio, video and other unstructured data, including, without limitation, media and entertainment, legal and compliance, government and other vertical markets.

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 and entertainment, legal and compliance and government vertical markets. While we are actively pursuing opportunities and gaining new customers for our AI platform in these key markets, we have generated revenues from our AI Platform Business primarily in the media and entertainment and legal and compliance markets to date.

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 contract value of new bookings, (v) monthly recurring revenue under active agreements, and (vi) net revenue. These key performance indicators may change over time as our AI Platform Business develops. The following table sets forth our key performance indicators for each of the last five quarters ended March 31, 2018.

	Quarter Ended				
	Mar 31, 2017	June 30, 2017	Sept 30, 2017	Dec 31, 2017	Mar 31, 2018
Total accounts on platform at quarter end	57	169	170	467	591
Active third-party cognitive engines at quarter end	48	69	122	151	184
Hours of data processed during quarter	367,000	438,000	711,000	1,357,000	2,805,000
Total contract value of new bookings received during quarter (in 000's)	\$ 1,947	\$ 151	\$ 2,645	\$ 360	\$ 237
Monthly recurring revenue under agreements in effect at quarter end (in 000's)	\$ 110	\$ 132	\$ 135	\$ 173	\$ 169
Net revenue during quarter (in 000's)	\$ 209	\$ 348	\$ 431	\$ 476	\$ 1,267

Acacia Investment

In 2016, we entered into an Investment Agreement with Acacia Research Corporation ("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 a convertible secured promissory note that provided for a total of \$20 million in borrowings with an interest rate of 6.0% per annum (the "Acacia Note"). The Acacia Note was secured by substantially all of our assets.

In conjunction with the Acacia Note, we issued to Acacia three four-year warrants (the "Acacia Note Warrants") to purchase a number of shares of our common stock that would be determined in the future depending upon a number of factors, including whether the Acacia Note was converted to our common stock or repaid at maturity. We also entered into a five-year warrant agreement with Acacia in conjunction with the Acacia Note (the "Primary Warrant"). Under the Primary Warrant, Acacia could purchase shares of our common stock if certain events occurred in the future, in an amount equal to \$50 million less the balance of the Acacia Note principal and accrued interest.

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In March 2017, we amended certain terms of the Acacia Note Warrants and the Primary Warrant to provide that (i) if we completed an initial public offering (“IPO”) of our common stock with gross proceeds of at least \$15 million, the exercise price for all warrants would be the lower of \$13.6088 or the price of common stock issued in the IPO, and (ii) the Primary Warrant would be automatically exercised upon completion of the IPO. As a result of this amendment, the fair value of the Primary Warrant decreased by \$3.1 million, and a credit associated with such reduction was recorded as a gain in other income, net in our condensed consolidated statement of operations for the three months ended March 31, 2017.

Upon the completion of our IPO in May 2017, the outstanding \$20 million of principal and all accrued interest under the Acacia Note were converted into 1,523,746 shares of our common stock at a conversion price per share of \$13.6088, and the Acacia Note Warrants became exercisable to purchase an aggregate of 154,311 shares of our common stock at an exercise price per share of \$13.6088. In addition, the Primary Warrant was automatically exercised in full at an exercise price per share of \$13.6088, and we issued to Acacia 2,150,335 shares of our common stock in exchange for cash proceeds of \$29.3 million.

Upon the exercise in full of the Primary Warrant in connection with our IPO, we issued to Acacia a five year warrant to purchase 809,400 shares of our common stock at an exercise price per share of \$13.6088 (the “10% Warrant”), with fifty percent of the shares underlying the 10% Warrant vesting as of the issuance of the 10% Warrant and the remaining fifty percent of the shares vesting 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 with Acacia and Veritone LOC I, LLC (“VLOC”) (collectively the “Bridge Loan Lenders”), which provided for an \$8 million line of credit pursuant to secured convertible notes that accrued interest at the rate of 8% per year, compounded quarterly (the “Bridge Loan”). The Bridge Loan was 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 million installment under the Bridge Loan in March 2017, and we borrowed the second \$2 million installment in April 2017. Prior to the completion of our IPO, the Bridge Loan Lenders exercised their options to advance the \$4 million remaining under the Bridge Loan. Upon the completion of our IPO, the \$8 million of principal and all accrued interest under the Bridge Loan were automatically converted into 590,717 shares of our common stock at a conversion price per share of \$13.6088.

In connection with the Bridge Loan, we issued 120,000 shares of our common stock to the Bridge Loan Lenders upon the execution of the Note Purchase Agreement. In addition, in connection with the funding of the \$8 million principal amount of the Bridge Loan, we issued to the Bridge Loan 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 IPO 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 IPO) at an exercise price per share of \$13.6088 and have a ten-year life.

Initial Public Offering

In May 2017, we completed an underwritten IPO of 2,500,000 shares of our common stock at an IPO price per share to the public of \$15.00, pursuant to which we raised net proceeds of \$32.6 million, after deducting underwriting discounts, commissions and offering costs. In addition to the conversion of all outstanding principal and accrued interest under the Acacia Note and the Bridge Loan and the exercise in full of the Acacia Primary Warrant upon completion of the IPO, all outstanding shares of Series A and Series B preferred stock were converted into an aggregate of 2,922,978 shares and 2,309,135 shares, respectively, of our common stock.

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 and market leadership, 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 and increase the growth of our business and improve our results of operations. The 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 expect to continue to make significant investments in developing our AI Platform Business and, therefore, do not expect to achieve profitability in the foreseeable future.

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Results of Operations

The following table sets forth items from our condensed consolidated statement of operations and comprehensive loss, as well as the period-over-period change, both in absolute dollars and on a percentage basis.

<i>(dollars in thousands)</i>	Three Months Ended			
	March 31,		\$ Change	% Change
	2018	2017		
Net revenues	\$ 4,388	\$ 3,108	\$ 1,280	41.2%
Cost of revenues	564	196	368	187.8%
Gross profit	3,824	2,912	912	31.3%
Gross margin	87.1%	93.7%		
Operating expenses:				
Sales and marketing	5,748	2,599	3,149	121.2%
Research and development	4,528	3,264	1,264	38.7%
General and administrative	6,778	3,680	3,098	84.2%
Total operating expenses	17,054	9,543	7,511	78.7%
Loss from operations	(13,230)	(6,631)	(6,599)	99.5%
Other income, net	183	786	(603)	(76.7)%
Loss before provision for income taxes	(13,047)	(5,845)	(7,202)	123.2%
Provision for income taxes	2	2	—	—
Net loss	(13,049)	(5,847)	(7,202)	123.2%
Accretion of redeemable convertible preferred stock	—	(1,073)	1,073	(100.0)%
Net loss attributable to common stockholders	<u>\$ (13,049)</u>	<u>\$ (6,920)</u>	<u>\$ (6,129)</u>	88.6%

Three Months Ended March 31, 2018 Compared with the Three Months Ended March 31, 2017

Net Revenues

<i>(dollars in thousands)</i>	Three Months Ended			
	March 31,		\$ Change	% Change
	2018	2017		
Media Agency revenues, net	\$ 3,121	\$ 2,899	\$ 222	7.7%
AI Platform revenues	1,267	209	1,058	506.2%
Net revenues	<u>\$ 4,388</u>	<u>\$ 3,108</u>	<u>\$ 1,280</u>	41.2%

The year-over-year increase of \$1.1 million, or 506.2%, in net revenues from our AI Platform Business was driven primarily by increased revenues in the legal and media markets, resulting from a significant increase in the number of customers using our platform, which totaled 70 customers at the end of the first quarter of 2018 compared with 25 at the end of the first quarter of 2017. The year-over-year increase of \$0.2 million, or 7.7%, in net revenues from our Media Agency Business was due primarily to the growth in the number of active clients. We had 60 active media agency clients in the first quarter of 2018 compared with 39 in the first quarter of 2017, an increase of 54%. The increased revenue from the growth in the number of active media agency clients in the first quarter of 2018 more than offset a year-over-year reduction in revenue resulting from a large initial campaign for a significant new client in the first quarter of 2017 which did not recur in the current year period.

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Cost of Revenues; Gross Profit and Gross Margin

The increase in cost of revenues of \$0.4 million, or 187.8%, in the first quarter of 2018 compared with the prior year period was attributable primarily to the increase in cognitive engine processing and computing costs, due to the higher volume of data processed. Gross profit increased year-over-year due primarily to the operating leverage provided by our higher net revenues level. Gross margin decreased year-over-year due to the higher net revenues in our AI Platform Business. The gross margin of our AI Platform Business is less than that of our Media Agency Business due to the difference in business models, so as our net revenues in our AI Platform Business become a higher proportion of our total net revenues, we expect that our gross margin will decline.

Operating Expenses

(dollars in thousands)	Three Months Ended		\$ Change	% Change
	March 31,			
	2018	2017		
Sales and marketing	\$ 5,748	\$2,599	3,149	121.2%
Research and development	4,528	3,264	1,264	38.7%
General and administrative	6,778	3,680	3,098	84.2%
Total operating expenses	<u>\$17,054</u>	<u>\$9,543</u>	<u>7,511</u>	78.7%
<i>Percentage of net revenues:</i>				
Sales and marketing	131.0%	83.6%		
Research and development	103.2%	105.0%		
General and administrative	154.5%	118.4%		

Sales and Marketing. The increase in sales and marketing expenses in the first quarter of 2018 compared with the prior year period was due primarily to an increase in personnel costs resulting from a 115% increase in our average month-end headcount in the first quarter of 2018 compared with the first quarter of 2017. We have also expanded our participation at significant technology and AI conferences, such as CES, which contributed to the increase in our marketing expenses.

Research and Development. The increase in research and development expense in the first quarter of 2018 compared with the prior year period was attributable primarily to an increase in our personnel costs resulting from a 40% increase in our average month-end headcount in the first quarter of 2018 compared with the first quarter of 2017, as well as to an increase in amortization of intangible assets due to our acquisition of certain software and technology in the fourth quarter of 2017.

General and Administrative. The increase in general and administrative expenses in the first quarter of 2018 compared with the prior year period was due primarily to an increase in share-based compensation expense of \$1.9 million, as well as to an increase in our personnel costs resulting from a 7% increase in our average month-end headcount to support the growth of our business.

We intend to continue to invest in our sales and marketing efforts and in the development of our AI capabilities and enhancement of our platform and services in order to grow our AI Platform Business. As such, we expect that our sales and marketing and research and development expenses, as well as our general and administrative expenses, will continue to increase in the future to support the growth of our business.

Other Income, Net

Other income, net in the first quarter of 2018 was comprised primarily of \$0.2 million in interest income on investments in money market funds and marketable securities. In the first quarter of 2017, other income, net was comprised primarily of the gain of \$3.1 million from the change in fair value of the Primary Warrant liability, offset in large part by amortization of debt discounts and issuance costs of \$2.1 million, and interest expense of \$0.3 million, related to the Acacia Note and the Bridge Loan.

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. As such, our revenue levels in our Media Agency Business are impacted by the timing of particular advertising campaigns of our major customers, which can and do vary from period to period.

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Liquidity and Capital Resources

Our principal sources of liquidity are our cash and cash equivalents and marketable securities, which totaled \$54.5 million as of March 31, 2018, compared with our cash and cash equivalents of \$69.1 million as of December 31, 2017. The decrease in the combined balance of our cash and cash equivalents and marketable securities in the first quarter of 2018 was due primarily to cash used to fund our business development strategy and to fund capital expenditures related to the build-out and furnishing of our leased headquarters.

Cash Flows

A summary of cash flows from our operating, investing and financing activities is shown in the table below.

<i>(in thousands)</i>	Three Months Ended	
	March 31,	
	2018	2017
Cash used in operating activities	<u>\$(13,248)</u>	<u>\$(5,112)</u>
Cash provided by (used in) investing activities	4,237	(30)
Cash provided by financing activities	<u>492</u>	<u>1,846</u>
Net decrease in cash and cash equivalents	<u><u>\$ (8,519)</u></u>	<u><u>\$(3,296)</u></u>

Operating Activities

Our operating activities used cash of \$13.2 million in the first quarter of 2018, compared with \$5.1 million in the first quarter of 2017. The cash used in operating activities in the first quarter of 2018 reflects our business strategy, namely adding internal resources in software engineering and data science to expand the capabilities of our aiWARE platform and in sales and marketing to develop future revenues from our platform. We gauge the amount of cash utilized in these efforts using the EBITDAS metric presented below under the heading “Non-GAAP Financial Measure.” Our use of cash as measured by EBITDAS increased to \$10.2 million in the first quarter of 2018 from \$6.4 million in the first quarter of 2017, as we used a portion of the proceeds of our 2017 stock offerings to increase our investments in line with our business strategy. We also used a portion of the proceeds of the 2017 stock offerings to reduce our accounts payable in order to enhance our relationships with vendors.

Investing Activities

Our investing activities provided cash of \$4.2 million in the first quarter of 2018, compared with a nominal amount used in the same quarter of the prior year. In the first quarter of 2018, we received proceeds from sales of marketable securities of \$6.0 million, which were used to fund a portion of the cash used in our operating activities. The cash provided was offset in part by capital expenditures of \$1.7 million related to the build-out and furnishing of our leased headquarters.

Financing Activities

Our financing activities provided cash of \$0.5 million in the first quarter of 2018, compared with \$1.8 million in the same quarter of the prior year. In the first quarter of 2018, we generated cash primarily from the exercise of stock options and purchases of shares under our Employee Stock Purchase Plan, offset in part by payments of costs associated with our stock offering in November 2017. The primary source of cash provided in the first quarter of 2017 was the drawdown of \$2.0 million under our Bridge Loan.

Capital Resources

As of March 31, 2018, we had no outstanding debt obligations.

We have generated significant losses since inception and expect to continue to generate losses for the foreseeable future. However, we believe that our current cash and cash equivalents and marketable securities balances will be sufficient to fund our cash requirements for the next twelve months and beyond. We have no present agreements or commitments with respect to any material acquisitions of other businesses or technologies or any other material capital expenditures. We will continue to evaluate potential acquisitions of and/or investments in companies or technologies that complement our business and may make such acquisitions and/or investments in the future. Accordingly, we may need to obtain additional sources of capital in the future to finance any such acquisitions and/or investments. We may not be able to obtain such financing on commercially reasonable terms, if at all. If we are able to obtain additional financing, it may contain undue restrictions on our operations, in the case of debt financing, or cause substantial dilution for our stockholders, in the case of equity financing.

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We currently have no available lines of credit for future borrowings.

Off-Balance Sheet Arrangements

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

Non-GAAP Financial Measure

We have presented an EBITDAS measure in the discussion of our cash flows above. "EBITDAS" is defined as earnings before interest expense, taxes, depreciation, amortization and non-cash stock compensation expense. EBITDAS is not a financial measure calculated and presented in accordance with U.S. generally accepted accounting principles (GAAP) and should not be considered as an alternative to net income (loss), operating income (loss) or any other financial measures so calculated and presented, nor as an alternative to cash flow from operating activities as a measure of liquidity. The items excluded from EBITDAS are detailed in the reconciliation below. Other companies (including our competitors) may define EBITDAS differently. We have presented EBITDAS because management believes it to be an important supplemental measure of performance that is commonly used by securities analysts, investors and other interested parties in the evaluation of companies in our industry. Management also uses this information internally for forecasting and budgeting. This non-GAAP measure may not be indicative of our historical operating results or predictive of our potential future results. Investors should not consider EBITDAS in isolation or as a substitute for analysis of our results as reported in accordance with GAAP.

<i>(in thousands)</i>	Three Months Ended	
	March 31,	
	2018	2017
Reconciliation of Net Loss to EBITDAS:		
Net loss	\$(13,049)	\$(5,847)
Provision for income taxes	2	2
Depreciation and amortization	355	59
Amortization of debt discounts and issuance costs	—	2,054
Change in fair value of warrant liability	—	(3,118)
Interest expense	—	300
Stock-based compensation expense	2,474	125
EBITDAS	<u>\$(10,218)</u>	<u>\$(6,425)</u>

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Item 3. Quantitative and Qualitative Disclosures About Market Risk

As a smaller reporting company, we are not required to provide the information required by Item 305 of Regulation S-K.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. Disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to the company's management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Quarterly Report on Form 10-Q at the reasonable assurance level.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Our disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving the desired control objectives. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs. Similarly, an evaluation of controls cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time, we may be involved in litigation relating to claims arising out of our operations in the normal course of business. We currently are not a party to any legal proceedings, the adverse outcome of which, in management's opinion, individually or in the aggregate, would have a material adverse effect on our results of operations, financial position or cash flows. Regardless of the outcome, any litigation could have an adverse impact on us due to defense and settlement costs, diversion of management resources and other factors.

Item 1A. Risk Factors

Our Annual Report on Form 10-K for the year ended December 31, 2017 contains a discussion of the most significant risks associated with our business. There have been no material changes to the risks described in our Annual Report on Form 10-K.

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

Recent Sales of Unregistered Equity Securities

We had no sales of unregistered equity securities during the first quarter of 2018.

Use of Proceeds for Initial Public Offering of Common Stock

On May 17, 2017, we completed an initial public offering of our common stock, pursuant to which we issued and sold an aggregate of 2,500,000 shares of our common stock at a price to the public of \$15.00 per share pursuant to a Registration Statement on Form S-1 (File No. 333-216726), which was declared effective by the SEC on May 11, 2017. There has been no material change in the use of proceeds from the offering as described in our final prospectus dated May 11, 2017, as filed with the SEC pursuant to Rule 424(b) of the Securities Act of 1933, as amended, and other periodic reports previously filed with the SEC.

Item 3. Defaults Upon Senior Securities

None

Item 4. Mine Safety Disclosures

Not applicable

Item 5. Other Information

None

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Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1+	<u>Forms of Notice of Grant of Stock Option and Stock Option Agreement for use in connection with grants of stock options to Chad Steelberg and Ryan Steelberg under our 2017 Stock Incentive Plan.</u>
10.2+	<u>Form of Change in Control (CIC) Addendum to Stock Option Agreement for use in connection with grants of stock options to certain executive officers under our 2017 Stock Incentive Plan.</u>
10.3+	<u>Form of Restricted Stock Unit Agreement for use under our 2017 Stock Incentive Plan.</u>
31.1	<u>Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.</u>
31.2	<u>Certification pursuant to Rule 13a-14(a) or Rule 15d-14(a) of the Exchange Act.</u>
32.1*	<u>Certifications pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Exchange Act and 18 U.S.C. Section 1350.</u>
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.

* The certifications furnished in Exhibit 32.1 shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (including this Quarterly Report on Form 10-Q), unless the Registrant specifically incorporates the foregoing information into those documents by reference.

SIGNATURES

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

Veritone, Inc.

May 8, 2018

By /s/ Chad Steelberg
Chad Steelberg
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

May 8, 2018

By /s/ Peter F. Collins
Peter F. Collins
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

[Form of Notice of Grant of Stock Option and Stock Option Agreement
for grants to Chad Steelberg and Ryan Steelberg under 2017 Stock Incentive Plan]

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"):

Participant: [PARTICIPANT NAME]

Grant Date: [GRANT DATE]

Vesting Commencement Date: [VESTING COMMENCEMENT DATE]

Exercise Price: \$[EXERCISE PRICE] per share

Number of Option Shares: [NO. OF SHARES] shares of Common Stock

Expiration Date: [EXPIRATION DATE]

Type of Option: _____ Incentive Stock Option
 _____ Non-Statutory Stock Option

Exercise Schedule: [DESCRIPTION OF VESTING SCHEDULE]

The Option shall not become exercisable for any additional Option Shares following the Participant's cessation of Service, except to the extent set forth in the Stock Option Agreement or otherwise specifically authorized by the Plan Administrator in its sole discretion pursuant to an express written agreement with Participant.

Participant understands and agrees that the Option is granted subject to and in accordance with the terms of (1) the Veritone, Inc. 2017 Stock Incentive Plan (the "Plan"), and (2) the Stock Option Agreement attached hereto as Exhibit A and incorporated herein by reference, and Participant further agrees to be bound by the terms of the Plan and the Stock Option Agreement. Participant 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.

At Will Employment. Nothing in this Notice or in the attached Stock Option Agreement or Plan shall confer upon Participant 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 Participant) or of Participant, which rights are hereby expressly reserved by each, to terminate Participant's Service at any time for any reason, with or without cause.

Employee Data Privacy. By accepting the Option, Participant: (a) explicitly and unambiguously consents to the collection, use and transfer, in electronic or other form, of any of Participant's personal data that is necessary to facilitate the implementation, administration and management of the Plan and Awards granted to Participant under the Plan; (b) understands that the Corporation and the Subsidiary (if applicable) employing Participant may, for the purpose of implementing, administering and managing the Plan and Awards granted to Participant under the Plan, hold certain personal information about Participant, including, but not limited to, Participant's name, home address and telephone number,

personal email address, date of birth, social security, social insurance number or other identification number, salary, nationality, job title, date of hire, date of termination and details of all Awards or entitlements to Common Stock granted to Participant under the Plan or otherwise ("Data"); (c) understands that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan and awards granted to Participant under the Plan, including, but not limited to, any broker, transfer agent or trustee providing recordkeeping, account maintenance and/or transaction services or with whom the shares of Common Stock issued upon vesting of the Option may be deposited, and that these recipients may be located in Participant's country or elsewhere, that the recipient's country may have different data privacy laws and protections than Participant's country, and that the recipient may hold the Data and make it accessible to the Corporation for the period of time required under the recipient's data retention policies and procedures and/or contractual obligations to the Corporation in order to fulfill financial and tax reporting, inheritance and other contractual or legal purposes; and (d) authorizes the Corporation, any Subsidiary and their respective agents to store and transmit such information in electronic form.

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: _____

VERITONE, INC.

By: _____
Name: _____
Title: _____

PARTICIPANT

[PARTICIPANT NAME]

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. The Participant 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 the Participant.
- C. All capitalized terms in this Agreement shall have the meaning assigned to them in Paragraph 18.

NOW, THEREFORE, it is hereby agreed as follows:

1. **Grant of Option**. The Corporation hereby grants to the Participant, 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**. This option, together with the Option Shares during the period prior to exercise, shall be neither transferable nor assignable by the Participant other than by will or the laws of inheritance following the Participant's death and may be exercised, during the Participant's lifetime, only by the Participant.
4. **Dates of Exercise**. This option shall become exercisable for the Option Shares in one or more installments in accordance with the Exercise Schedule set forth 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, this option shall vest and become exercisable with respect to 100% of the Option Shares upon termination of Participant's Service by the Corporation other than for the Cause. In the event of Participant's cessation of Service as a result of Participant's resignation for Good Reason, this option shall vest and become exercisable with respect to fifty percent (50%) of the Option Shares for which the option is not vested and exercisable at the time of such cessation of Service.
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 the Participant cease to remain in Service for any reason (other than death, Permanent Disability or Misconduct) while this option is outstanding, then the Participant 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 the Participant die while this option is outstanding, then the personal representative of the Participant's estate or the person or persons to whom the option is transferred pursuant to the Participant's will or the laws of inheritance following the Participant's death shall have the right to exercise this option. 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 the Participant's death or (ii) the Expiration Date.

(c) Should the Participant cease Service by reason of Permanent Disability while this option is outstanding, then the Participant 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 for which this option is, at the time of the Participant's cessation of Service, exercisable pursuant to the Exercise Schedule specified in the Grant Notice or the special vesting acceleration provisions of Paragraph 4 or 6. This option shall not become exercisable for any additional Option Shares, whether pursuant to the normal Exercise Schedule specified in the Grant Notice or the special vesting acceleration provisions of Paragraph 4 or 6, following the Participant's cessation of Service, except to the extent (if any) specifically authorized by the Plan Administrator pursuant to an express written agreement with the Participant. 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 the Participant's Service be terminated for Cause or should the Participant otherwise engage in conduct constituting Cause while this option is outstanding, then this option shall terminate immediately and cease to remain outstanding.

6. Change in Control.

(a) Should a Change in Control occur during Participant'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 Participant 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 Participant'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 Participant's employment is terminated by the Corporation without Cause following a Change in Control, the balance of the remaining unvested options shall immediately vest in full.

(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, Participant 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 Participant 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.

7. **Adjustment to Option Shares.** Should any change be made to the outstanding 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 the Corporation's receipt of consideration, or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation, reincorporation or other reorganization, 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.

9. **Manner of Exercising Option**

(a) In order to exercise this option with respect to all or any part of the Option Shares, the Participant (or any other person or persons exercising the option) must take the following actions:

(i) Execute and deliver to the Corporation a Notice of Exercise, or comply with such procedures as the Corporation may establish for notifying the Corporation of the exercise of the option, 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;

(B) in shares of Common Stock valued at Fair Market Value on the Exercise Date and held 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 the Participant shall concurrently provide instructions (A) to a brokerage firm (with such brokerage firm reasonably satisfactory to the Corporation for purposes of administering such procedure in compliance with the Corporation's pre-clearance or pre-notification policies) 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 certificates for the purchased shares directly to such brokerage firm on the 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 Notice of Exercise 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 the Participant) have the right to exercise this option.

(iv) Make appropriate arrangements with the Corporation (or Parent or Subsidiary employing or retaining the Participant) for the satisfaction of all applicable tax withholding requirements applicable to the option exercise.

(v) As soon as practical after the Exercise Date, the Corporation shall issue to or on behalf of the Participant (or any other person or persons exercising this option) a certificate for the purchased Option Shares, with the appropriate legends affixed thereto.

(b) In no event may this option be exercised for any fractional shares.

10. 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 the Participant 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.

11. **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 the Participant, the Participant's assigns and the legal representatives, heirs and legatees of the Participant's estate.

12. **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 the Participant shall be in writing and addressed to the Participant at the address indicated below the Participant'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.

13. **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.

14. **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.

15. **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.

16. **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 the Participant ceases to be an Employee for any reason other than death or Permanent Disability or (ii) more than twelve (12) months after the date the Participant ceases to be an Employee by reason of Permanent Disability.

(b) No installment under this option shall qualify for favorable tax treatment as an Incentive Option if (and to the extent) the aggregate Fair Market Value (determined at the Grant Date) of the Common Stock for which such installment first becomes exercisable hereunder would, when added to the aggregate value (determined as of the respective date or dates of grant) of the Common Stock or other securities for which this option or any other Incentive Options granted to the Participant 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. Should such One Hundred Thousand Dollar (\$100,000) limitation be exceeded in any calendar year, this option shall nevertheless become exercisable for the excess shares in such calendar year as a Non-Statutory Option.

(c) Should the Participant 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.

17. **Employment at Will.** Nothing in this Agreement or in the Plan shall confer upon the Participant 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 the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate the Participant's Service at any time for any reason, with or without cause.

18. **Definitions.** 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) **Cause** shall have the meaning assigned to such term in the Employment Agreement. 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 Participant 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 Cause.

(d) **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;

(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;

(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; or

(iv) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases to be comprised of individuals who either (I) have been Board members continuously since the beginning of such period ("Incumbent Directors") or (II) have been elected or nominated for election as Board members during such period by at least a majority of the Incumbent Directors who were still in office at the time the Board approved such election or nomination; provided that any individual who becomes a Board member subsequent to the beginning of such period and whose election or nomination was approved by two-thirds of the Board members then comprising the Incumbent Directors will be considered an Incumbent Director.

(e) **Code** shall mean the Internal Revenue Code of 1986, as amended.

(f) **Common Stock** shall mean the Corporation's common stock.

(g) **Corporation** shall mean Veritone, Inc., a Delaware corporation, and any corporate successor to all or substantially all of the assets or voting stock of Veritone, Inc.

(h) **Employee** shall mean an individual who is in the employ of the Corporation (or any Parent or Subsidiary, whether now existing or subsequently established), 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) **Employment Agreement** shall mean the Employment Agreement between the Corporation and Participant effective as of March 14, 2017.

(j) **Exercise Date** shall mean the date on which the option shall have been exercised in accordance with Paragraph 9 of the Agreement.

(k) **Exercise Price** shall mean the exercise price payable per Option Share as specified in the Grant Notice.

(l) **Exercise Schedule** shall mean the schedule set forth in the Grant Notice pursuant to which the option is to become exercisable for the Option Shares in one or more installments over the Participant's period of Service.

(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 a Stock Exchange, then the Fair Market Value shall be the closing selling price per share of Common Stock at the close of regular hours trading (i.e., before after-hours trading begins) on the date in question on the Stock Exchange serving as the primary market for the Common Stock, as such price is reported by the National Association of Securities Dealers (if primarily traded on the Nasdaq Global or Global Select Market) or as officially quoted in the composite tape of transactions on any other Stock Exchange on which the Common Stock is then primarily traded. 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 quoted on a national or regional securities exchange or market system (including over-the-counter markets and the Nasdaq Capital Market) determined by the Plan Administrator to be the primary market for the Common Stock, then the Fair Market Value shall be the closing selling price per share of Common Stock on the date in question, as such price is officially reported by such exchange or market system. 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 of a share of Common Stock on the last preceding date for which such quotation exists.

(o) **Good Reason** shall have the meaning assigned to such term in the Employment Agreement.

(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 the Participant 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) **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

(t) **Non-Statutory Option** shall mean an option not an Incentive Option.

(u) **Notice of Exercise** shall mean the notice of exercise in such form as provided by the Corporation.

(v) **Option Shares** shall mean the number of shares of Common Stock subject to the option.

(w) **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.

(x) **Participant** shall mean the person to whom the option is granted as specified in the Grant Notice.

(y) **Permanent Disability** shall mean the inability of the Participant to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment expected to result in death or to be of a continuous duration of twelve (12) months or more.

(z) **Plan** shall mean the Corporation's 2017 Stock Incentive Plan.

(aa) **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

(bb) **Service** shall mean the Participant'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, the Participant shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) the Participant no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary or (ii) the entity for which the Participant is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though the Participant may subsequently continue to perform 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, the Participant's Service shall be deemed to cease on the first day immediately following the expiration of such three (3)-month period, unless the Participant 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 the Participant is on a leave of absence.

(cc) **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

(dd) **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.

**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 [PARTICIPANT NAME] (**Participant**) evidencing the stock option granted on [GRANT DATE] to Participant under the Corporation's 2017 Stock Incentive 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 Participant'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 Participant 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 Participant'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 Participant'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 Participant of a material provision of Participant's Offer Letter with the Corporation or of Participant's proprietary information and invention assignment with the Corporation, (ii) failure or refusal by Participant to comply in any material respect with the lawful policies, standards or regulations of the Corporation, (iii) gross negligence or willful misconduct by Participant in the performance of Participant's duties or responsibilities to the Corporation that causes material harm to the Corporation, its business or reputation, or (iv) Participant'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 Participant of the applicable action, event or condition allegedly constituting Cause, and (B) Participant 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, Participant 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 Participant 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: _____

PARTICIPANT

[PARTICIPANT NAME]

EFFECTIVE DATE: [DATE]

VERITONE, INC.

RESTRICTED STOCK UNIT 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. The Participant 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 award of restricted stock units to the Participant.
- C. All capitalized terms in this Agreement shall have the meaning assigned to them in Paragraph 15.

NOW, THEREFORE, it is hereby agreed as follows:

1. **Grant of RSUs**. The Corporation hereby grants to the Participant, as of the Grant Date, an award of restricted stock units ("RSUs") under the Plan (the "Award"). Each RSU represents the right to receive one share of Common Stock (the "Share") on the specified issuance date following the vesting of that RSU. The number of RSUs subject to the Award, the applicable vesting schedule for those RSUs, the date on which Shares underlying those vested RSUs shall become issuable to the Participant and the remaining terms and conditions governing the Award shall be as set forth in this Agreement.

AWARD SUMMARY

<u>Participant:</u>	[PARTICIPANT NAME]
<u>Grant Date:</u>	[GRANT DATE]
<u>Number of RSUs Subject to Award:</u>	[NO. OF RSUs]
<u>Vesting Schedule:</u>	[DESCRIPTION OF VESTING SCHEDULE]

Issuance Schedule:

The Shares underlying the RSUs in which the Participant vests in accordance with the vesting schedule above shall be issued on the date those particular RSUs vest or as soon after that scheduled vesting date as administratively practicable, but in no event later than the later of (i) the close of the calendar year in which such vesting date occurs or (ii) the fifteenth day of the third calendar month following such vesting date (the "Issue Date").

2. **Limited Transferability.** Prior to the actual issuance of the Shares pursuant to RSUs which vest hereunder, the Participant may not transfer any interest in the Award or the underlying Shares; *provided, however*, any Shares issuable pursuant to vested RSUs hereunder but which otherwise remain unissued at the time of the Participant's death may be transferred pursuant to the provisions of the Participant's will or the laws of inheritance or to the Participant's designated beneficiary or beneficiaries of this Award.

3. **Cessation of Service.** Should Participant's Service cease for any reason prior to vesting in one or more RSUs subject to this Award, then the Award will be immediately cancelled with respect to those unvested RSUs, and the number of RSUs will be reduced accordingly. The Participant shall thereupon cease to have any right or entitlement to receive any Shares under those cancelled RSUs.

4. **Stockholder Rights.** The Participant shall not have any stockholder rights, including voting or dividend rights, with respect to the Shares underlying the RSUs subject to the Award until the Participant becomes the record holder of those Shares following their actual issuance.

5. **Change in Control.**

(a) Should a Change in Control occur during the Participant's period of Service, then this Award may, as determined by the Plan Administrator in its sole discretion, 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 full force and effect pursuant to the terms of the Change in Control transaction or (iv) replaced with a cash retention program of the Corporation or any successor corporation (or parent thereof) which preserves the value of the RSUs that have not vested at the time of the Change in Control and provides for subsequent payout of such value. Notwithstanding the foregoing, no such cash retention program shall be established for this Award 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.

(b) To the extent this Award is not assumed, substituted, continued or replaced in accordance with Paragraph 5(a), the RSUs shall automatically vest in full immediately prior to the effective date of the Change in Control. The Shares subject to those vested RSUs will be issued immediately at that time or as soon as administratively practicable thereafter, but in no event more than fifteen (15) business days after the closing of the Change in Control transaction. Alternatively, the Participant's right to the Shares may be converted into the right to receive the same consideration per share of Common Stock payable to the other stockholders of the Corporation in consummation of the Change in Control and distributed at the same time as such stockholder payments.

(c) The Plan Administrator shall have the authority to provide that any escrow, holdback, earn-out or similar provisions in the definitive agreement effecting the Change in Control shall apply to any cash payment made under Paragraph 5(a) or Paragraph 5(b) above 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 consummation of the Change in Control, this Award 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 Award is assumed in connection with a Change in Control or otherwise continued in effect, then this Award 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 the Participant in consummation of such Change in Control, had the RSU vested immediately prior to such Change in Control. 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 successor corporation (or parent thereof) may in connection with the assumption or continuation of this option and subject to the Plan Administrator's approval, 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, provided such common stock is readily traded on an established U.S. securities market.

(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.

6. **Adjustment in Shares.** Should any change be made to the outstanding 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 the Corporation's receipt of consideration, or should the value of outstanding shares of Common Stock be substantially reduced as a result of a spin-off transaction or an extraordinary dividend or distribution, or should there occur any merger, consolidation, reincorporation or other reorganization, then equitable adjustments shall be made to the total number and/or class of securities issuable pursuant to this Award in such manner as the Plan Administrator deems appropriate in order to reflect such change, and those adjustments shall be final, binding and conclusive.

7. **Issuance of Shares.**

(a) Upon the applicable Issue Date, the Corporation shall issue to or on behalf of the Participant a certificate (which may be in electronic form) for the applicable number of Shares.

(b) Except as otherwise provided in Paragraph 5, the settlement of all RSUs which vest under the Award shall be made solely in Shares. In no event, however, shall any fractional Shares be issued. Accordingly, the total number of Shares to be issued pursuant to the Award shall, to the extent necessary, be rounded down to the next whole Share in order to avoid the issuance of a fractional Share.

8. Compliance with Laws and Regulations.

(a) The issuance of Shares pursuant to the Award shall be subject to compliance by the Corporation and the Participant 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 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 Award 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.

9. **Successors and Assigns.** Except to the extent otherwise provided in this Agreement, the provisions of this Agreement shall inure to the benefit of, and be binding upon, the Corporation and its successors and assigns and the Participant, the Participant's assigns and the legal representatives, heirs and legatees of the Participant's estate and any beneficiaries of the Award designated by the Participant.

10. **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 the Participant shall be in writing and addressed to the Participant at the address indicated below the Participant's signature line on this Agreement. 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.

11. **Construction.** This Agreement and the Award 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 Award. To the extent there is any ambiguity as to whether any provision of this Agreement would otherwise contravene one or more applicable requirements or limitations of Code Section 409A and the Treasury Regulations thereunder, such provision shall be interpreted and applied in a manner that complies with the applicable requirements of Code Section 409A and the Treasury Regulations thereunder. For purposes of Code Section 409A, each installment distribution of Shares (or other installment distribution hereunder) shall be treated as a separate payment, and the Participant's right to receive each such installment of shares (or other installment distribution hereunder) shall accordingly be treated as a right to receive a series of separate payments.

12. **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.

13. **Stockholder Approval.** If the 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 Award 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.

14. **No Impairment of Rights.** This Agreement shall not in any way affect the right of the Corporation to adjust, reclassify, reorganize or otherwise make changes in its capital or business structure or to merge, consolidate, dissolve, liquidate or sell or transfer all or any part of its business or assets. In addition, this Agreement shall not in any way be construed or interpreted so as to affect adversely or otherwise impair the right of the Corporation or its shareholders to remove the Participant from the Board at any time in accordance with the provisions of applicable law.

15. **Employment at Will.** Nothing in this Agreement or in the Plan shall confer upon the Participant 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 the Participant) or of the Participant, which rights are hereby expressly reserved by each, to terminate the Participant's Service at any time for any reason, with or without cause.

16. **Definitions.** The following definitions shall be in effect under the Agreement:

(a) **Agreement** shall mean this Restricted Stock Unit Agreement.

(b) **Award** shall mean the award of RSUs made to the Participant pursuant to the terms of this Agreement.

(c) **Board** shall mean the Corporation's Board of Directors.

(d) **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;

(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;

(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; or

(iv) a change in the composition of the Board over a period of twelve (12) consecutive months or less such that a majority of the Board members ceases to be comprised of individuals who either (I) have been Board members continuously since the beginning of such period ("Incumbent Directors") or (II) have been elected or nominated for election as Board members during such period by at least a majority of the Incumbent Directors who were still in office at the time the Board approved such election or nomination; provided that any individual who becomes a Board member subsequent to the beginning of such period and whose election or nomination was approved by two-thirds of the Board members then comprising the Incumbent Directors will be considered an Incumbent Director.

(a) **Code** shall mean the Internal Revenue Code of 1986, as amended.

(b) **Common Stock** shall mean the Corporation's common stock.

(c) **Corporation** shall mean Veritone, Inc., a Delaware corporation, and any corporate successor to all or substantially all of the assets or voting stock of

Veritone, Inc.

(d) **Grant Date** shall mean the date the RSUs are awarded to Participant pursuant to the Agreement and shall be the date indicated in Paragraph 1 of the

Agreement.

(e) **Issue Date** shall have the meaning indicated in Paragraph 1 of the Agreement.

(f) **1934 Act** shall mean the Securities Exchange Act of 1934, as amended.

(g) **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.

(h) **Participant** shall mean the person to whom the Award is made pursuant to the Agreement.

(i) **Plan** shall mean the Corporation's 2017 Stock Incentive Plan.

(j) **Plan Administrator** shall mean either the Board or a committee of the Board acting in its capacity as administrator of the Plan.

(k) **RSU** shall have the meaning set forth in Paragraph 1 of the Agreement.

(l) **Service** shall mean the Participant'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, the Participant shall be deemed to cease Service immediately upon the occurrence of either of the following events: (i) the Participant no longer performs services in any of the foregoing capacities for the Corporation or any Parent or Subsidiary or (ii) the entity for which the Participant is performing such services ceases to remain a Parent or Subsidiary of the Corporation, even though the Participant may subsequently continue to perform 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.

(m) **Stock Exchange** shall mean the American Stock Exchange, the Nasdaq Global or Global Select Market or the New York Stock Exchange.

(n) **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.

IN WITNESS WHEREOF, the parties have executed this Agreement on the respective dates indicated below.

Dated: [DATE]

VERITONE, INC.

By: _____

Name: _____

Title: _____

[PARTICIPANT NAME]

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) OR RULE 15d-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

I, Chad Steelberg, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Veritone, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Omitted pursuant to Exchange Act Rules 13a-14(a) and 15d-15(a)];
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2018

/s/ Chad Steelberg

Chad Steelberg
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

**CERTIFICATION PURSUANT TO
RULE 13a-14(a) OR RULE 15d-14(a) OF THE
SECURITIES EXCHANGE ACT OF 1934**

I, Peter F. Collins, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Veritone, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) [Omitted pursuant to Exchange Act Rules 13a-14(a) and 15d-15(a)];
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 8, 2018

/s/ Peter F. Collins

Peter F. Collins
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

**CERTIFICATIONS PURSUANT TO RULE 13a-14(b) OR RULE 15d-14(b)
OF THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350**

Each of the undersigned hereby certifies, pursuant to Rule 13a-14(b) or Rule 15d-14(b) of the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, in his capacity as an officer of Veritone, Inc., that, to his knowledge, the Quarterly Report of Veritone, Inc. on Form 10-Q for the period ended March 31, 2018 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 and that the information contained in such report fairly presents, in all material respects, the financial condition and results of operation of Veritone, Inc.

May 8, 2018

By /s/ Chad Steelberg
Chad Steelberg
Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

May 8, 2018

By /s/ Peter F. Collins
Peter F. Collins
Executive Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

A signed original of this written statement required by 18 U.S.C. Section 1350 has been provided to Veritone, Inc. and will be retained by Veritone, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.