2021 ANNUAL REPORT

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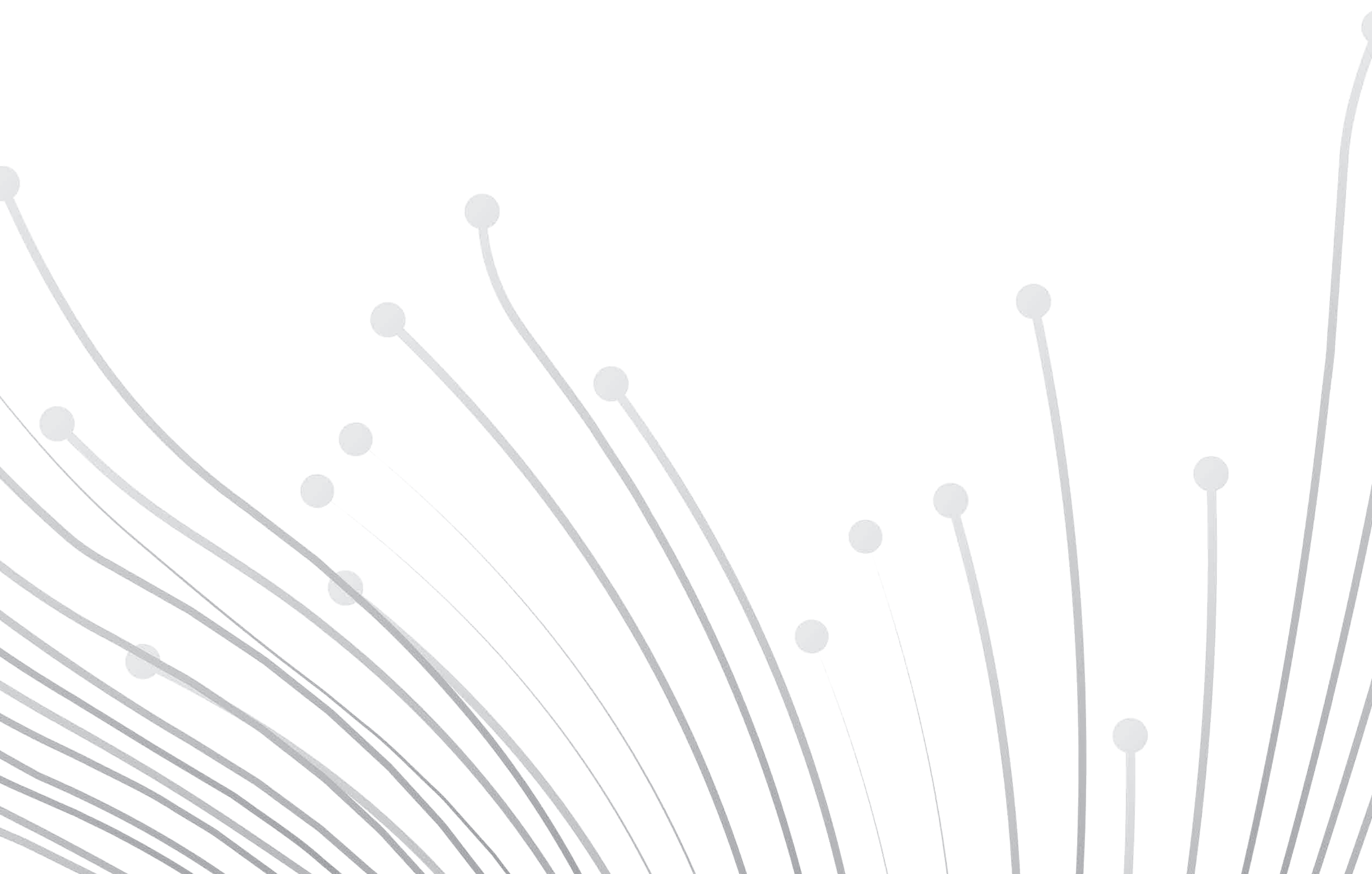


Dear Fellow Shareholders,

In writing this annual letter to you, I began reflecting on what has changed since joining Sonic Foundry as its CEO during a worldwide health and economic crisis. Like everyone, I only wish that COVID and all its variants were truly in the rearview mirror rather than its seemingly endless assault on our peace of mind and sense of normal. In last year's shareholder letter, I hypothesized that the pandemic was a 10-year accelerant that would usher in a new era of video creation and usage. This seismic shift in video consumption is happening right now. As an example of its velocity, a customer that averaged 1 million video views per year might now top 1 million views in a single month. That's pretty staggering, even to a video guy like me.

While it's great to see dramatic growth in video creation and consumption, that's just the tip of the iceberg for us. As we've said from day one, we have a far more ambitious agenda that is focused on seeking out high-growth markets where we have the right to win. Markets that leverage our core competencies can generate year-over-year growth in the range of 20 to 40 percent once established. I'll expand on this shortly but first you need to know why we feel confident in transforming a 30-year-old company with a modest growth profile into a high-growth enterprise. It all starts with doing what we said we would do.

A major achievement that was in the works during 2021**—our uplisting to the Nasdaq Capital Market became effective on January 25, 2022!** Being listed on the Nasdaq Capital Market under our SOFO ticker symbol helps expand our audience of investors and improve our trading liquidity as we focus on creating long-term shareholder value.

While 2021 also threw some interesting curveballs—supply chain disruptions, labor shortages, the Great Resignation, and numerous pivots to comply with public health guidelines, it is important to recognize that we did what we set out to do in fiscal 2021.

2021: A Transformative Year Positioning Us for New Long-Term Growth

During this past fiscal year, our team has made significant progress in stabilizing the business, improving our financial health, and leveraging our core competencies into a growth platform. From my deep experience in re-energizing companies, what we accomplished in a short period of time could only be achieved through everyone's commitment to strong, focused execution.

First, **we quickly reversed a multi-year revenue decline** by creating new high-growth, high-margin revenue streams in our cloud and event businesses. Net revenue increased to $35.2 million by effectively aligning capital and resources to the opportunities. This resulted in positive net income attributable to stockholders of $3.1 million in fiscal year 2021 (including forgiveness of a PPP loan of $2.3 million) versus a net loss of $179,000 last year. In fact, it was the first positive net income year for Sonic Foundry since 2012 and the only year in our history that didn't require a non-recurring gain to get there.

We demonstrated that **we know how to run our business and are disciplined stewards of capital**. In the third quarter, we strengthened the balance sheet by raising $3.5 million from a common stock offering and securing a $3 million revolver from US Bank. With our financial house in order, we focused our attention on completing the design theory analysis of our new R&D projects aimed at addressing the future needs of current and new clients. We have already started and will continue to deploy both investment capital and incremental profits into the business to fund these high-growth business opportunities.

We **embedded big and bold into our DNA** and now have the skills, resources, and connections to propel our company forward. To ensure our core business retains its industry leading position in powering video access for our customers anytime, anywhere on any device, we made strategic investments in our award-winning Mediasite platform and expanded our cloud capabilities to better support customers as they adapt to a digital-first world. To position ourselves for profitable entry into new adjacent markets, we are adapting our model to be a SaaS provider, which will generate more recurring revenue than being primarily a hardware provider.

With the progress made in our design theory initiatives, **we have now identified and built a clear roadmap for the next-gen Sonic Foundry**. With the enterprise video market poised to grow at an 11.6% CAGR to $33 billion over the next five years, we have considerable **potential to gain market share in new areas where we have the right to win.**

Why We Have the Right to Win

What attracted me to Sonic Foundry was the opportunity to build upon a company with a great reputation, 30 years of staying power, a stellar list of clients and an award-winning suite of Mediasite products.

Along with key new members of the management team, our focus remains squarely on re-imagining the future needs of our clients as they move into a digital-first world. Our investment in developing the Mediasite Cloud has been especially meaningful to clients struggling to store, manage and innovate their video content and it amplifies mutual collaboration in creative problem solving. The average revenue opportunity for an on-premises customer moving to the Cloud is 5X greater, and the adoption rate is steadily increasing as organizations of all types now recognize the value of being cloud-based.

Our traditional events business is a core competency that has taken on a new life. Since the pandemic we have worked side-by-side with event clients to reshape the entire industry from in-person events to virtual and hybrid events—almost overnight. Furthermore, we are developing new services that help event clients leverage and monetize content in new ways that deliver value and engagement to their memberships year-round.

With over 30 years of audio and video technology under our belt, **we are the company to lead innovation and power a smarter, more connected world.**

Powering a Smarter, More Connected World

Video is ubiquitous and so is Sonic Foundry. We are a global company with operations in North America, Europe, and Asia. Our footprint spans 65 countries and serves an installed base of approximately 5,200 customers primarily in the education, corporate, healthcare and government sectors.

While Sonic Foundry is a small company now, we have set our sights on dramatic growth, and it takes bold ideas to move the needle faster. I'm not talking pie in the sky ideas but real solutions to generate greater learning and engagement through video. **Here's a preview of two of our top-priority initiatives, and we are delighted to report that we have deals with key enterprise clients who are as excited as we are about bringing these new ventures to market.** We are gratified by their enthusiastic participation and anticipate more clients signing on throughout the year.

Building the World's Most Comprehensive Library of AI-Enabled Video Solutions

Adobe revolutionized information sharing by enabling people to deliver and receive digital documents with SaaS-based document tools, and **we want to do for video what Adobe did for documents.**

Our plan is to build the world's most complete library of SaaS-based AI editing solutions that can deliver instant, comprehensive, and automated video enhancements at scale. We call this: *better video every time, in no time*. The market for this technology is HUGE—essentially it can enhance every video created in the world by businesses, associations, and consumers.

This is not a far-off dream concept. Rather it is a springboard to a great growth opportunity that leverages the digital assets and expertise we already have in place. I would call this *'mining diamonds in your own backyard'* and no company is better equipped to make this happen than Sonic Foundry.

Democratizing Global Higher Education

The education sector has been one of our strong end-markets for many years, and our collaboration with top education institutions has never been greater than during these challenging times for higher education.

To maintain enrollment, several universities now recognize that their online classrooms must offer an enriching and more engaging experience to students. They are also looking for ways to tap into less competitive pools of students.

After researching potential solutions, we developed a prototype that would in fact democratize education worldwide. What most people don't realize is that there are millions of students who are capable of paying for a higher education experience but don't have access to it for many reasons—geo/political instability or inadequate infrastructure to even participate in online studies.

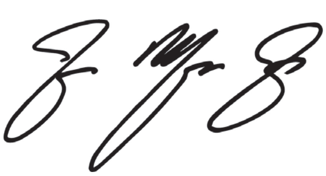
To close this educational gap, we developed an innovative solution that will allow students to have an in-person experience in locally supported, affordable, community-centric environments that offer aggregated educational content on the Sonic Foundry Mediasite platform.

Our team is very excited to bring this idea to life and bridge the educational gap that keeps young populations and their emerging economies disadvantaged. As an example, last year Nigeria had over one million prospects apply for 200,000 university spots—that left behind 80% of their future knowledge workers without viable access to higher education. This supply-demand imbalance exists in many countries and offers US and UK universities who are struggling to find students, an opportunity to partner with Sonic Foundry to create a global platform that addresses a serious world issue while solving their own enrollment issues. Truly a win-win value proposition for all.

In Closing

It's exciting to lead a team energized by high growth. While we are still in the early innings of our transformation to next-gen Sonic Foundry, we know what we're going after and how to get there. We have sized up the market opportunity and just like last year, I am confident in our team's ability to again execute. We're heads down on delivering on what we say we're going to do and look forward to updating you on our progress over the course of 2022. In closing, I want to thank all my colleagues for their great contributions and our board of directors for their wise guidance. To our shareholders, we truly appreciate your support. Stay tuned, the best is yet to come.

Sincerely,



Joseph P. Mozden, Jr.
CEO

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SONIC FOUNDRY, INC.
222 West Washington Avenue
Madison, Wisconsin 53703

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS
To Be Held March 10, 2022

The Annual Meeting of Stockholders of **SONIC FOUNDRY, INC**., a Maryland corporation ("Sonic") will be held virtually, over the Internet, on March 10, 2022, for the following purposes:

1. To elect one director to hold office for the term set forth herein and until his successor is duly elected and qualified.

2. To vote on a Proposal to amend the 2020 Equity Incentive Plan to increase the number of shares of common stock subject to the plan from 1,000,000 to 2,000,000.

3. To ratify the appointment of Wipfli LLP as our independent auditors for the fiscal year ending September 30, 2022;

4. To transact such other business as may properly come before the meeting or any adjournments thereof.

All the above matters are more fully described in the accompanying Proxy Statement.

The Annual Meeting will be a virtual meeting held over the Internet via Mediasite at www.sonicfoundry.com/investors/annual-meeting. You will be able to vote your shares electronically at proxyvote.com by entering your sixteen-digit control number located on your proxy card or in the email you have consented to receive from your bank/broker that retains your shares.

Only holders of record of Common Stock at the close of business on January 21, 2022 are entitled to notice of, and to vote at, this virtual meeting or any adjournment or adjournments thereof. You are invited to attend the virtual annual meeting if you are a stockholder of record or a beneficial owner of shares of our common stock as of the Record Date.

The Company has also arranged for space in our offices located at 222 West Washington Avenue, Suite 100, Madison, Wisconsin 53703 from which you can access the Internet and attend the meeting. Should you wish to do so, please contact Laura Delis at laura.delis@sonicfoundry.com no later than seven days prior to the virtual annual meeting. This is an option we are providing for your convenience, as required by Maryland law. YOU DO NOT HAVE TO UTILIZE THIS SPACE IN ORDER TO ACCESS THE VIRTUAL MEETING. YOU MAY ACCESS THE VIRTUAL MEETING FROM ANY CONVENIENT LOCATION.

Please complete and return the enclosed proxy in the envelope provided or follow the instructions on the proxy card to authorize a proxy by telephone or over the Internet.

By Order of the Board of Directors,

Madison, Wisconsin
January 27, 2022

Ken Minor
Secretary

If you cannot personally attend the virtual meeting, it is earnestly requested that you promptly indicate your vote on the issues included on the enclosed proxy and date, sign and mail it in the enclosed self-addressed envelope, which requires no postage if mailed in the United States or, follow the instructions on the proxy card to authorize a proxy by telephone or over the Internet. Doing so will save us the expense of further mailings. If you sign and return your proxy card without marking choices, your shares will be voted in accordance with the recommendations of the Board of Directors.

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SONIC FOUNDRY, INC.
222 W. Washington Avenue
Madison, Wisconsin 53703

January 27, 2022

PROXY STATEMENT

The Board of Directors of Sonic Foundry, Inc., a Maryland corporation ("Sonic"), hereby solicits the enclosed proxy. Unless instructed to the contrary on the proxy, it is the intention of the persons named in the proxy to vote the proxies:

FOR the election of Brian T. Wiegand for term expiring in 2027;

FOR a Proposal to amend the 2020 Equity Incentive Plan to increase the number of shares of common stock subject to the plan from 1,000,000 to 2,000,000;

FOR the ratification of the appointment of Wipfli LLP as independent auditors of Sonic for the fiscal year ending September 30, 2022.

In the event that a nominee for director becomes unavailable to serve, which management does not expect, the persons named in the proxy reserve full discretion to vote for any other persons who may be nominated. Proxies may also be authorized by telephone or over the Internet by following the instructions on the proxy card. Any stockholder giving a proxy may revoke it at any time prior to the voting of such proxy. This Proxy Statement and the accompanying proxy are being mailed on or about February 4, 2022.

Each holder of Common Stock will be entitled to one vote for each share of Common Stock standing in his or her name on our books at the close of business on January 21, 2022 (the "Record Date"). Only holders of issued and outstanding shares of Sonic's Common stock as of the close of business on the Record Date are entitled to notice of and to vote at the Annual Meeting, including any adjournment or postponement thereof. On that date, we had outstanding and entitled to vote 9,100,446 shares of Common Stock, held by 2,764 stockholders, of which all but 211 were held in street name.

The Annual Meeting will be a virtual meeting held over the Internet via Mediasite at www.sonicfoundry.com/investors/annual-meeting. You will be able to vote your shares electronically at proxyvote.com by entering your sixteen-digit control number located on your proxy card or in the email you have consented to receive from your bank/broker that retains your shares.

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QUORUM; VOTES REQUIRED

Votes cast by proxy or in person at the virtual Annual Meeting will be tabulated by the inspector of elections appointed for the virtual Annual Meeting and will determine whether or not a quorum is present. Where, as to any matter submitted to the stockholders for a vote, proxies are marked as abstentions (or stockholders appear in person but abstain from voting), such abstentions will be treated as shares that are present and entitled to vote for purposes of determining the presence of a quorum, but will not be treated as present and entitled to vote for any other purpose. If a broker indicates on the proxy that it does not have discretionary authority as to certain shares to vote on a particular matter and has not received instructions from the beneficial owner, which is known as a broker non-vote, such shares will also be considered present for purposes of a quorum, provided that the broker exercises discretionary authority on any other matter in the Proxy. A majority of the shares of stock issued, outstanding and entitled to vote at the Annual Meeting, present in person or represented by proxy, shall constitute a quorum at the virtual Annual Meeting. The election of Directors requires a plurality of the votes present and entitled to vote. Therefore, the director who receives the highest vote total will be elected. Neither an abstention nor a withheld vote will affect the outcome of the election. The vote to amend the 2020 Stock Incentive Plan requires the affirmative vote of the holders of a majority of shares entitled to vote at the virtual Annual Meeting. If you abstain from voting or withhold your vote on either of these proposals, it will have the same effect as a vote against the proposals. The ratification of the appointment of Wipfli, LLP requires the affirmative vote of the holders of a majority of the votes cast at the virtual Annual Meeting. If you abstain or withhold your vote on these proposals, it will have no effect on the outcome of the proposal.

The New York Stock Exchange ("NYSE") has rules that govern brokers who have record ownership of listed company stock held in brokerage accounts for their clients who beneficially own the shares. Under these rules, brokers who do not receive voting instructions from their clients have the discretion to vote uninstructed shares on certain discretionary matters but do not have discretion to vote uninstructed shares as to certain other non-discretionary matters. A broker may return a proxy card on behalf of a beneficial owner from whom the broker has not received instructions that casts a vote with regard to discretionary matters but expressly states that the broker is not voting as to non-discretionary matters. The broker's inability to vote with respect to the non-discretionary matters with respect to which the broker has not received instructions from the beneficial owner is referred to as a "broker non-vote". Under current NYSE interpretations, the proposal to ratify the appointment of Wipfli, LLP as our independent auditor is considered a discretionary matter.

DATE, TIME AND PLACE OF ANNUAL MEETING

The Annual Meeting will be held virtually, over the Internet, on March 10, 2022 at 9:00 a.m. (Central time).

HOW TO VOTE AT THE ANNUAL MEETING

The Annual Meeting will be a virtual meeting held over the Internet via Mediasite at www.sonicfoundry.com/investors/annual-meeting. You will be able to vote your shares electronically at proxyvote.com by entering your sixteen-digit control number located on your proxy card or in the email you have consented to receive from your bank/broker that retains your shares.

The Company has also arranged for space in our offices located at 222 West Washington Avenue, Suite 100, Madison, Wisconsin 53703 from which you can access the Internet and attend the virtual meeting. Should you wish to do so, please contact Laura Delis at laura.delis@sonicfoundry.com no later than seven days prior to the virtual annual meeting. This is an option we are providing for your convenience, as required by Maryland law. YOU DO NOT HAVE TO UTILIZE THIS SPACE IN ORDER TO ACCESS THE VIRTUAL MEETING. YOU MAY ACCESS THE VIRTUAL MEETING FROM ANY CONVENIENT LOCATION.

PROPOSAL ONE: ELECTION OF DIRECTOR

Our Amended and Restated Articles of Incorporation and Bylaws provide that the Board of Directors shall be divided into five classes, with each class having a five-year term. Directors are assigned to each class in accordance with a resolution or resolutions adopted by the Board of Directors. Vacancies on the Board of Directors resulting from death, resignation, disqualification, removal or other causes may be filled by either the affirmative vote of the holders of a majority of the then-outstanding shares or by the affirmative vote of a majority of the remaining directors then in office, even if less than a quorum of the Board of the Directors. Newly created directorships resulting from any increase in the number of directors may, unless the Board of Directors determines otherwise, be filled only by a majority vote of the entire Board of Directors. A director elected by the Board of Directors to fill a vacancy (including a vacancy created by an increase in the number of directors) shall serve until the next annual meeting of stockholders or until such director’s successor is elected and qualified.

Our Amended and Restated Articles of Incorporation provide that the number of directors, which shall constitute the whole Board of Directors, shall not be less than three or more than twelve. The currently authorized number of directors is seven. The seat on the Board of Directors currently held by Brian T. Wiegand. is designated as a Class IV Board seat, with a term expiring at the Annual Meeting. The Board of Directors has nominated Brian T. Wiegand as a Class IV Director for election at the Annual Meeting.

If elected at the Annual Meeting, Mr. Wiegand would serve until the 2027 Annual Meeting and until his successor is elected and qualified or until his earlier death, resignation or removal.

The election of Mr. Wiegand requires a plurality of the votes present and entitled to vote.

Nominee for Director for a Five-Year term expiring on the 2027 Annual Meeting

Brian T. Wiegand **Term Expires in 2022**
(Class IV Director)

Mr. Wiegand, age, 53, has been a director of the Company since July 2012, and is a serial entrepreneur who successfully founded and sold several internet-based companies. He is currently the founder and CEO of Gravy, Inc., a live video shopping platform. Mr. Wiegand founded and served as CEO of Hopster, a company that links digital marketing efforts with real-world shopping behavior by rewarding consumer purchase loyalty, engagement and advocacy. Hopster announced in October 2014 that it was acquired by Inmar, Incorporated, where Mr. Wiegand served as SVP of Growth and Strategy from the date of purchase to August 2016. Mr. Wiegand co-founded and served as executive chair of the board of Alice.com, an online retail platform that connects manufacturers and consumers in the consumer packaged goods market. Alice.com filed for receivership in August 2013. Mr. Wiegand also co-founded Jellyfish.com, a shopping search engine, in June of 2006. He served as CEO until October 2007 when the company was sold to Microsoft. Mr. Wiegand continued with Microsoft as the General Manager of Social Commerce until May 2008. He also co-founded NameProtect, a trademark research and digital brand protection services company in August 1997 which was sold to Corporation Services Company in March 2007. In addition, Mr. Wiegand founded BizFilings in 1996, the Internet's leading incorporation Services Company. He served as the president and CEO until 2002 when the company was acquired by Wolters Kluwer. Mr. Wiegand attended the University of Wisconsin – Madison.

DIRECTORS CONTINUING IN OFFICE

William St. Lawrence **Term Expires in 2023**
(Class V director)

Mr. St. Lawrence, age 52, was elected as a Director in May 2021. Mr. St. Lawrence has served as the General Counsel / VP of Business Development at BioDental Sciences, Inc, a dental technology and services company since August 2019. Prior to joining BioDental Sciences, Inc., Mr. St. Lawrence served from February 2017 to August 2019, as the General Counsel and then interim CEO at Northern Power Systems (TSX), a VT-based renewable energy company. From September 2012 to December 2020 Mr. St. Lawrence was General Counsel and Chief Administrative Officer / Advisor for Northeast Wireless Networks, a wholesale shared access cellular networks company acquired by AT&T in September 2018. Mr. St. Lawrence has a B.A. in History from Hobart and William Smith Colleges and a J.D. from the University of Maine School of Law.

Nelson A. Murphy **Term Expires in 2024**
(Class I Director)

Mr. Murphy, age 61, has been a Director since November 2017. Since June 2022, Mr. Murphy has served as Vice President for Finance and Administration at Transylvania University, a liberal arts college in Lexington, Kentucky. From January 2015 to May 2020 Mr. Murphy had been the Executive VP, Finance & Operations for

Catawba College, a private liberal arts college. From August 2013 to June 2015 Mr. Murphy was VP, International Finance at Syniverse Technologies, Inc. in Luxembourg, a provider of mobile technologies, and from October 2010 to August 2013 served as VP – Finance, Defensive Systems Division at Northrop Grumman Corporation, a global security company. Previously, Mr. Murphy served in various senior finance roles at AT&T including responsibility for finance in operations located in Europe, the Middle East and Latin America. Mr. Murphy has a B.S. in Accounting from Wake Forest University.

Mark D. Burish **Term Expires in 2025 (Class II Director)**

Mr. Burish, age 68, has been a director since March 2010 and has served as Non-Executive Chair since April 2011. Mr. Burish is a shareholder of the law firm of Hurley Burish SC, Madison, WI, which he helped start in 1983. He was the founder and CEO of Our House Senior Living, LLC, Milestone Senior Living, LLC and Milestone Management Services, LLC which he started in 1997 and later sold. Mr. Burish received his BA degree in communications from Marquette University in 1975 and his JD degree from the University of Wisconsin in 1978.

Joe Mozden Jr. **Term Expires in 2025 (Class II Director)**

Mr. Mozden, age 58, was appointed by the Board of Directors to serve as the Company's Chief Executive Officer, effective September 14, 2020, and to serve as a Class II Director. Prior to joining the Company, from 2015 to 2020, Mr. Mozden served as Vice-President of DeVry University and leader of DeVryWORKS, an e-learning platform focused on servicing corporations, military and educational institutions. From 2005 to 2015 he served as Executive Vice-President and Chief Operating Officer for the Allant Group, a private equity-owned multi-channel marketing services provider specializing in database marketing, data aggregation, and analytics for advanced advertising, direct mail, telemarketing, e-mail marketing, and big data. He also has been in sales and marketing roles at Commonwealth Telephone Enterprises, Inc. and LSSI, a data aggregator providing content and SaaS offerings to telco, marketing, cable and SEO companies. His other board affiliations include a manufacturing company and a non-for-profit charitable organization. Mr. Mozden received a BS in Electrical Engineering from Rensselaer Polytechnic Institute and an MBA in Finance and International Business from the New York University Stern School of Business.

Frederick H. Kopko, Jr. **Term Expires in 2026 (Class III director)**

Mr. Kopko, age 66, served as Sonic Foundry's Secretary from April 1997 to February 2001 and has been a Director since December 1995. Mr. Kopko is a partner of the law firm of McBreen & Kopko, Chicago, Illinois, and has been a partner of that firm since January 1990. Mr. Kopko practices in the area of corporate law. He is the Managing Director, Neltjeberg Bay Enterprises LLC, a merchant banking and business consulting firm and has been a Director of Mercury Air Group, Inc. since 1992. Mr. Kopko received a B.A. degree in Economics from the University of Connecticut, a J.D. degree from the University of Notre Dame Law School and an M.B.A. degree from the University of Chicago.

Taha Jangda **Term Expires in 2026 (Class III director)**

Mr. Jangda, age 30, was elected as a Director in May 2021. Mr. Jangda is the General Partner of Healthx Ventures, a digital healthcare-focused early-stage fund since December 2016, a member of the board of directors of Orbita, Inc. since 2018 as well as serving in numerous board observer and advisory roles. Prior to his current roles, Mr. Jangda served from February 2015 to September 2017, as one of the founding team members and Strategic Advisor of TMC Innovation Institute, an accelerator program for the development of medical devices and digital heath startups. From September 2015 to December 2016 Mr. Jangda served as the Chief Evangelist of Redox, a healthcare industry software company. From August 2014 to October 2015 Mr. Jangda was the Director of Commercialization for Admetsys, a developer of real-time diagnostic platform and closed-loop artificial pancreas. Mr. Jangda has a BS in Psychology from Texas A&M University.

When considering whether the Board of Directors and nominees thereto have the experience, qualifications, attributes and skills, taken as a whole, to enable the Board of Directors to satisfy its oversight responsibilities effectively in light of our business and structure, the Board of Directors focused primarily on the information discussed in each of the Board members' biographical information set forth above. Each of the Company's directors possess high ethical standards, act with integrity and exercise careful, mature judgment. Each is committed to employing his skills and abilities to aid the long-term interests of the stakeholders of the Company. In addition, each of our directors has exhibited judgment and skill, and has either been actively involved with the Company for a considerable period of time or has experience with other organizations of comparable or greater size. In particular, Mr. Kopko has had extensive experience with companies comparable in size to Sonic Foundry, including serving as a director of Mercury Air Group, Inc. and other private and public companies and fills a valuable need with experience in securities and other business law. Mr. Burish brings additional valuable legal experience to the Board as well as experience obtained through founding multiple companies. Mr. Wiegand has significant experience in founding and operating technology companies and building brand awareness with both businesses and consumers. Mr. Murphy has significant experience in finance and accounting both in the higher education field as well as with technology companies. Mr. Mozden has significant experience in developing and managing e-learning platforms. Mr. Jangda has significant experience founding and investing in technology companies. Mr. St. Lawrence has substantial experience in business law and managing technology companies.

CORPORATE GOVERNANCE

Director Independence

The Company recently uplisted to the NASDAQ Capital Market ("NASDAQ") and complies with both the initial and maintenance requirements for listing on NASDAQ. NASDAQ requires that a majority of the members of our Board be independent, as defined under NASDAQ's rules. The NASDAQ rules have both objective tests and a subjective test for determining who is an "independent director." The objective tests state, for example, that a director is not considered independent if he or she is an employee of the Company or has engaged in various types of business dealings with the Company. The subjective test states that an independent director must be a person who lacks a relationship that in the opinion of the Board would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. The Board has made a subjective determination as to each independent director that no relationship exists that, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In making these determinations, the Board reviews information provided by the directors in an annual questionnaire with regard to each director's business and personal activities as they relate to the Company. Based on this review and consistent with NASDAQ's independence criteria, the Board has affirmatively determined that Nelson A. Murphy, Taha Jangda, William St. Lawrence and Brian T. Wiegand are independent.

Related Person Transaction

The Board has adopted a Related Person Transaction Policy (the "Policy"), which is a written policy governing the review and approval or ratification of Related Person Transactions, as defined in SEC rules.

Under the Policy, each of our directors and executive officers must notify the Chairman of the Audit Committee in writing of any new potential Related Person Transaction involving such person or an immediate family member. The Audit Committee will review the relevant facts and circumstances and will approve or ratify the transaction only if it determines that the transaction is not inconsistent with, the best interests of the Company. The Related Party Transaction must then be approved by the independent directors. In determining whether to approve or ratify a Related Person Transaction, the Audit Committee and the independent directors may consider, among other things, the benefits to the Company; the impact on the director's independence (if the Related Person is a director or an immediate family member); the availability of other sources for comparable products or services; the terms of the transaction; and the terms available to unrelated third parties or to employees generally.

Board Leadership Structure and Role in Risk Oversight

Mark D. Burish serves as Non-Executive Chairman of the Board and Joe Mozden Jr. serves as our Chief Executive Officer. The Company believes that having separate positions provides an appropriate leadership structure.

Our business and affairs are managed under the direction of our board, which is the Company's ultimate decision-making body, except with respect to those matters reserved to our stockholders. Our Board's key mission is to maximize long-term stockholder value. Our Board establishes our overall corporate policies, selects and evaluates our executive management team (which is charged with the conduct of our business), and acts as an advisor and counselor to executive management. Our board also oversees our business strategy and planning, as well as the performance of management in executing its business strategy and assessing and managing risks.

What is the Board's role in risk oversight?

The board takes an active role in monitoring and assessing the Company's risks, which include risks associated with operations, credit, financing and capital investments. Management is responsible for the Company's day-to-day risk management activities and our board's role is to engage in informed risk oversight. Management, through its disclosure committee, compiles an annual ranking of risks to which the Company could be subjected and reviews the results of this risk assessment with the audit committee. Any significant risks are then reviewed by the board and assigned for oversight. In fulfilling this oversight role, our board focuses on understanding the nature of our enterprise risks, including our operations and strategic direction, as well as the adequacy of our risk management process and overall risk management system. There are a number of ways our board performs this function, including the following:

- at its regularly scheduled meetings, the board receives management updates on our business operations, financial results and strategy and discusses risks related to the business;
- the audit committee assists the board in its oversight of risk management by discussing with management, particularly, the Chief Financial Officer, our guidelines and policies regarding financial and enterprise risk management and risk appetite, including major risk exposures, and the steps management has taken to monitor and control such exposures; and
- through management updates and committee reports, the board monitors our risk management activities, including the annual risk assessment process, risks relating to our compensation programs, and financial and operational risks being managed by the Company.

The board of directors also has oversight responsibility for risks and exposures related to employee compensation programs and management succession planning and assesses whether the organization's compensation practices encourage risk taking that would have a material adverse effect on the Company. The compensation committee periodically reviews the structure and elements of our compensation programs and its policies and practices that manage or mitigate such risk, including the balance of short-term and long-term incentives, use of multiple performance measures, and a multi-year vesting schedule for long-term incentives. Based on these reviews, the committee believes our compensation programs do not encourage excessive risk taking.

Board Structure and Meetings

The Board met four times during Fiscal 2021. The Board also acted by written consent from time to time. All directors attended at least 75% of the total number of Board meetings and committee meetings on which they serve (during the period in which each director served). In addition, NASDAQ marketplace rules contemplate that the independent members of our Board will meet during the year in separate closed meetings referred to as "executive sessions" without any employee director or executive officer present. Executive sessions were usually held after regularly scheduled Board meetings during Fiscal 2021.

The Board of Directors has four standing committees, the Audit Committee, the Executive Compensation Committee, the Governance Committee and the Nominations Committee. The Board of Directors also established a special committee of disinterested and independent members to consider and negotiate the terms of transactions between the Company and Mark D. Burish, the Company's chair.

Sonic has a standing audit committee established in accordance with Section 3(a)(58)(A) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Through April 30, 2021, the members of the Audit Committee were Messrs. Murphy (chair), Slayton and Wiegand. Currently, members of the Audit Committee are Messrs. Murphy (chair), Jangda and Wiegand. Sonic's Board of Directors has determined that all members of Sonic's Audit Committee are "independent" as that term is used in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act and as defined under Nasdaq listing standards. The Audit Committee provides assistance to the Board in fulfilling its oversight responsibility including: (i) internal and external financial reporting, (ii) risks and controls related to financial reporting, and (iii) the internal and external audit process. The Audit Committee is also responsible for recommending to the Board the selection of our independent public accountants and for reviewing all related party transactions. The Audit Committee met four times in Fiscal 2021. A copy of the charter of the Audit Committee is available on Sonic's website.

Sonic's Board of Directors has determined that, due to his experience serving in senior financial roles at several companies as well as his degree in accounting, Mr. Murphy meets the definition of audit committee financial expert as that term is defined under the rules of the Securities and Exchange Commission. The members of the Audit Committee also meet the Nasdaq Stock Market requirements regarding the financial sophistication and the financial literacy of members of the Audit Committee.

The Compensation Committee consists of Messrs. Wiegand (chair) and St. Lawrence. The Board of Directors has determined that all of the members of the Compensation Committee are "independent" as defined under Nasdaq listing standards. The Compensation Committee makes recommendations to the Board with respect to salaries of employees, the amount and allocation of any incentive bonuses among the employees, and the amount and terms of stock options to be granted to executive officers. The Compensation Committee met three times in Fiscal 2021. A copy of the charter of the Compensation Committee is available on Sonic's website.

The Nominations Committee consists of Messrs. Wiegand (chair) and Murphy. The Board of Directors has determined that all of the members of the Nominations Committee are "independent" as defined under Nasdaq listing standards. The purpose of the Nominations Committee is to evaluate and recommend candidates for election as directors, make recommendations concerning the size and composition of the Board of Directors, develop specific criteria for director independence, and assess the effectiveness of the Board of Directors. Our Board of Directors has adopted a charter for the Nominations Committee, which is available on Sonic's website. The Nominations Committee will review all candidates in the same manner regardless of the source of the recommendation. In recommending candidates for election to the Board of Directors, the Nominations Committee reviews each candidate's qualifications, including whether a candidate possesses any of the specific qualities and skills desirable in certain members of the Board of Directors. Evaluations of candidates generally involve a review of background materials, internal discussions and interviews with selected candidates as appropriate. Generally, the Nominations Committee will consider various criteria in considering whether to make a recommendation. These criteria include expectations that directors have substantial accomplishments in their professional backgrounds and are able to make independent, analytical inquiries and exhibit practical wisdom and mature judgment. Director candidates should possess the highest personal and professional ethics, integrity and values, be committed to promoting the long-term interest of our stockholders and be able and willing to devote the necessary time to carrying out their duties and responsibilities as members of the Board. While the Board of Directors has not adopted a policy regarding diversity, we also believe our directors should come from diverse backgrounds and experience bases in order to promote the representation of diverse views on the Board of Directors. Stockholder recommendations of candidates for Board membership will be considered when submitted to Corporate Secretary, Sonic Foundry, Inc., 222 W. Washington Ave., Madison, WI 53703. When submitting candidates for nomination to be elected at Sonic's annual meeting of stockholders, stockholders must also follow the notice procedures and provide the information required by Sonic's bylaws.

In particular, for a stockholder to nominate a candidate for election at the 2022 Annual Meeting of Stockholders, the nomination must be delivered or mailed to and received by Sonic's Secretary prior to September 27, 2022 (or, if the 2022 annual meeting is advanced by more than 30 days or delayed by more than 60 days from March 10, 2023, not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth calendar day following the date on which public announcement of the date of the annual meeting is first made). The nomination must include the same information as is specified in Sonic's bylaws for stockholder nominees to be considered at an annual meeting, including the following:

- The stockholder's name and address and the beneficial owner, if any, on whose behalf the nomination is proposed;
- The stockholder's reason for making the nomination at the annual meeting, and the signed consent of the nominee to serve if elected;
- The number of shares owned by, and any material interest of, the record owner and the beneficial owner, if any, on whose behalf the record owner is proposing the nominee;
- A description of any arrangements or understandings between the stockholder, the nominee and any other person regarding the nomination; and
- Information regarding the nominee that would be required to be included in Sonic's proxy statement by the rules of the Securities and Exchange Commission, including the nominee's age, business experience for the past five years and any other directorships held by the nominee.

DIRECTORS COMPENSATION

Our directors who are not also our full-time employees, receive an annual retainer of $10,000 in addition to a fee of $750 for attendance at each meeting of the Board of Directors and $500 per committee meeting attended, other than special committee meetings for which members receive $1,000 per committee meeting attended. In addition, the chair of the Audit Committee receives an Audit Committee annual retainer of $4,000 and the chair of the Compensation Committee receives a $1,500 Compensation Committee annual retainer. Mr. Burish receives an annual retainer of $17,500 as compensation for his services as Chair of the Board of Directors. The total fee compensation earned by the five non-employee directors combined in Fiscal 2021 was $108.000. When traveling from out-of-town, the members of the Board of Directors are also eligible for reimbursement for their travel expenses incurred in connection with attendance at Board meetings and Board Committee meetings. Directors who are also employees do not receive any compensation for their participation in Board or Board Committee meetings.

Pursuant to the 2008 Sonic Foundry Non-Employee Amended Directors Stock Option Plan (the “Directors Plan”) we grant to each non-employee director who is reelected or who continues as a member of the Board of Directors at each annual stockholders meeting a stock option to purchase 2,000 shares of Common Stock. Further, the chair of our Audit Committee receives an additional stock option grant to purchase 500 shares of Common Stock per year pursuant to Sonic’s Non-Employee Amended Directors Stock Option Plan.

The exercise price of each stock option granted was equal to the market price of Common Stock on the date the stock option was granted. Stock options issued under the Directors Plan vest fully on the first anniversary of the date of grant and expire after ten years from date of grant. An aggregate of 150,000 shares are reserved for issuance under the Directors Plan.

If any change is made in the stock subject to the Directors Plan, or subject to any option granted thereunder, the Directors Plan and options outstanding thereunder will be appropriately adjusted as to the type(s), number of securities and price per share of stock subject to such outstanding options.

The options and warrants set forth above have an exercise price equal to the fair market value of the underlying common stock on the date of grant. The term of all such options is ten years.
The following table summarizes cash and equity compensation provided our non-employee directors during the fiscal year ended September 30, 2021.

Name (a)	Fees Earned Or Paid In Cash ($)(1) (b)	Stock Awards ($)(2) (c)	Option Awards ($) (d)	Non-Equity Incentive Plan Compen-sation ($) (e)	Change in Pension Value and Non-qualified Deferred Compen-sation Earnings ($) (f)	All Other Compensation ($) (g)	Total ($) (h)
Mark D. Burish	1,500	29,750	6,620	—			37,870
Taha Jangda	1,250	10,000	2,960	—			14,210
Frederick H. Kopko	12,250	—	6,620	—			18,870
Nelson A. Murphy	21,250	—	6,620	—			27,870
David F. Slayton	3,500	—	3,660	—			7,160
William St. Lawrence	12,750	—	2,960	—			19,370
Gary R. Weis	1,500	—	3,660	—			5,160
Brian T. Wiegand	14,250	—	6,620	—			20,870

(1) The amount reported in column (b) is the total of retainer fees and meeting attendance fees paid in cash.
(2) The amount reported in column (c) is the total of retainer fees and meeting attendance fees awarded in common stock.
(3) The amount reported in column (d) is the aggregate grant date fair value of options granted during the fiscal year ended September 30, 2021, in accordance with FASB ASC Topic 718. Each director other than Messrs. St. Lawrence and Jangda received an option award of 2,000 shares for the Shareholder meeting held on January 28, 2021, while each director other than Messrs. Slayton and Weis received an option award of 2,000 for the Shareholder meeting held on June 24, 2021, at exercise prices of $3.85 and $3.75, respectively. The grant date fair values for the meetings were $3,660 and $2,960, respectively.
(4) On May 12, 2021, the Company announced the resignations of Messrs. Slayton and Weis and corresponding appointments of Messrs. Jangda and St. Lawrence.

EXECUTIVE OFFICERS OF SONIC

Our executive officers, who are appointed by the Board of Directors, hold office for one-year terms or until their respective successors have been duly elected and have qualified. There are no family relationships between any of the executive officers of Sonic.

Joe Mozden, age 58, was appointed by the Board of Directors to serve as the Company's Chief Executive Officer, effective September 14, 2020. For further information regarding Mr. Mozden, please refer to "Directors Continuing in Office".

Kenneth A. Minor, age 59, has been our Chief Financial Officer and Secretary since March 2021. Mr. Minor previously served as our Chief Financial Officer from June 1997 through May 2020. Mr. Minor provides fractional CFO and other financial consulting services through Spotlight CFO Services to other organizations, a firm he founded in August 2019. Mr. Minor is a certified public accountant and has a B.B.A. degree in accounting from Western Michigan University.

Robert M. Lipps, age 50, is Executive Vice President of Corporate Strategy. First joining Sonic Foundry in April 2006 as Vice President of International Sales, Mr. Lipps has held various global sales & marketing leadership roles during his tenure. He holds 25 years of sales leadership, business development and emerging market entry expertise in the technology and manufacturing sectors, including sales, marketing and channel management. From January 2004 to March 2006 he served as General Manager of Natural Log Homes LLC, a New Zealand based manufacturer of log homes. From July 1999 to Dec 2002 he served as US Mid-Tier Alliance Manager & Latin America Region Manager at Adaytum, a software publisher of planning and performance management solutions, (acquired by Cognos Software, an

IBM Company, in January 2003) and from May 1996 to July 1999 he served as International Sales Manager for Persoft, a software publisher of host access and mainframe connectivity solutions (acquired by Esker software in 1998). Mr. Lipps has a B.S. degree in Marketing from the University of Wisconsin at La Crosse.

SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The following table shows information known to us about the beneficial ownership of our Common Stock as of January 21, 2022, by each stockholder known by us to own beneficially more than 5% of our Common Stock, each of our executive officers named in the Summary Compensation Table ("Named Executive Officers"), each of our directors, and all of our directors and executive officers as a group. Unless otherwise noted, the mailing address for these stockholders is 222 West Washington Avenue, Madison, Wisconsin 53703.

Beneficial ownership is determined in accordance with the rules of the SEC, and includes voting or investment power with respect to shares. Shares of common stock issuable upon the exercise of stock options or warrants exercisable within 60 days after January 21, 2022, which we refer to as Presently Exercisable Options or Presently Exercisable Stock Warrants, are deemed outstanding for computing the percentage ownership of the person holding the options but are not deemed outstanding for computing the percentage ownership of any other person. Unless otherwise indicated below, to our knowledge, all persons named in the table have sole voting and investment power with respect to their shares of common stock, except to the extent authority is shared by spouses under applicable law. The inclusion of any shares in this table does not constitute an admission of beneficial ownership for the person named below.

Name of Beneficial Owner(1)	Number of Shares of Class Beneficially Owned	Percent of Class(2)
Common Stock		
Mark D. Burish(3) 33 East Main St. Madison, WI 53703	3,709,798	40.5%
Andrew D. Burish(4) 8020 Excelsior Drive Madison, WI, 53717	1,041,929	11.2
Joe Mozden, Jr.(5)	159,500	1.7
Robert M. Lipps(6)	162,235	1.8
Frederick H. Kopko, Jr.(7) 29 South LaSalle Street Chicago, IL 60603	95,287	1.0
Brian T. Wiegand (8) 5574 Polo Ridge Waunakee, WI 53597	86,090	*
Nelson A. Murphy(9) 2300 W. Innes St. Salisbury, NC 28144	58,508	*
Kenneth A. Minor	16,520	*
Taha Jangda 3827 Linklea Drive Houston, TX 77025	2,381	*
William St. Lawrence	—	*
All current Executive Officers and Directors as a Group (9 persons)(10)	4,290,319	45.1

* less than 1%

(1) Sonic believes that the persons named in the table above, based upon information furnished by such persons, except as set forth in note (4) where such information is based on a Schedule 13G, have sole voting and dispositive power with respect to the number of shares indicated as beneficially owned by them.

(2) Applicable percentages are based on 9,100,446 shares outstanding, adjusted as required by rules promulgated by the Securities and Exchange Commission.

(3) Includes 16,000 shares subject to Presently Exercisable Options and 50,676 presently exercisable Common Stock Warrants.

(4) Includes 232,558 shares subject to Presently Exercisable Common Stock Warrants. Information is based on information provided to the Company on January 18, 2022.

(5) Includes 146,000 shares subject to Presently Exercisable Options.

(6) Includes 160,160 shares subject to Presently Exercisable Options.

(7) Includes 16,000 shares subject to Presently Exercisable Options.

(8) Includes 20,000 shares subject to Presently Exercisable Options.

(9) Includes 9,000 shares subject to Presently Exercisable Options.

(10) Includes an aggregate of 317,836 Presently Exercisable Options and Common Stock Warrants

Compensation Discussion and Analysis

Introduction

This Compensation Discussion and Analysis describes our compensation strategy, policies, programs and practices for the executive officers identified in the Summary Compensation Table. Throughout this proxy statement, we refer to these individuals, who serve as our Chief Executive Officer, Chief Financial Officer and Executive Vice President of Sales as the "Named Executive Officers."

The Executive Compensation Committee ("Committee") establishes and oversees our compensation and employee benefits programs and approves the elements of total compensation for the executive officers. The day-to-day design and administration of our retirement and employee benefit programs available to our employees are handled by our Human Resources and Finance Department employees. The Committee is responsible for reviewing these programs with management and approving fundamental changes to them.

Overview and Objectives of our Executive Compensation Program

The compensation program for our executive officers is designed to attract, motivate, reward and retain highly qualified individuals who can contribute to Sonic's growth with the ultimate objective of increasing stockholder value. Our compensation program consists of several forms of compensation: base salary, annual bonus, long-term incentives and limited perquisites and benefits.

Base salary and annual bonus are cash-based while long-term incentives consist of stock option awards. The Committee does not have a specific allocation goal between cash and equity-based compensation or between annual and long-term incentive compensation. Instead, the Committee relies on the process described in this discussion and analysis in its determination of compensation levels and allocations for each executive officer.

The recommendations of the Chief Executive Officer play a significant role in the compensation-setting process. The Chief Executive Officer provides the Committee with an annual overall assessment of Sonic's achievements and performance, his evaluation of individual performance and his recommendations for annual compensation and long-term incentive awards. The Committee has discretion to accept, reject or modify the Chief Executive Officer's recommendations. The Committee determines the compensation for the Chief Executive Officer in an executive session.

Market Competitiveness

The Committee's target is for total cash compensation to be competitive with a greater emphasis on upside potential tied to stock performance. Given competitive recruiting pressures, the Committee retains its discretion to deviate from this target under appropriate circumstances. The Committee periodically receives updates of the published compensation data

Pay for Performance

The Committee believes that both long and short term compensation of executive officers should correlate to Sonic's overall financial performance. Incentive payouts will be larger with strong performance and smaller if Sonic's financial results decline. From time to time, extraordinary Board-approved initiatives in a fiscal year, such as a restructuring, acquisition, or divestiture, are considered by the Committee in its overall evaluation of Sonic's performance.

Peer Group Analysis

Compensation data came from a peer group of twelve public companies that we consider similar to our market for sales, or for key talent, or with similar financial or other characteristics such as number of employees. The companies in the peer group are described above.

Components of Executive Compensation

Base Salary

The Committee seeks to pay the executive officers a competitive base salary in recognition of their job responsibilities for a publicly held company.

As part of determining annual compensation review, the Committee also considers the Chief Executive Officer's recommendation regarding individual performance as well as internal equitable considerations.

In evaluating individual performance, the Committee considers initiative, leadership, tenure, experience, skill set for the particular position, knowledge of industry and business, and execution of strategy in placing the individual within the range outlined.

The Committee met on December 10, 2021 for consideration of base compensation changes for Messrs. Mozden and Lipps. In order to align compensation with company performance the Committee maintained base compensation at the current levels for Messrs. Mozden and Lipps representing $300,000 and $235,000, respectively. Further, the Committee approved the calculation of bonus earned for each at $150,000 and $47,000. Finally, the Committee approved grants of stock options including: 1)150,000 performance options for Mr. Mozden that were referenced in his employment agreement, including the immediate vesting of 45,000 of those options for goals met in fiscal 2021; 2) 60,000 options for Mr. Mozden as additional compensation for capital markets activities concluded in fiscal 2021, which will vest equally on the next three annual anniversaries; 180,000 performance options for Mr. Mozden as compensation for future capital markets activities; and 10,000 for Mr. Lipps which vest equally on the next three annual anniversaries. All options have a maximum life of ten years and were issued with an exercise price equal to the closing market price on the date of grant.

Annual Performance-Based Variable Compensation

The performance-based variable compensation reported for each executive officer represents compensation that was earned based on incentive plans. The following describes the methodologies used by the Compensation Committee to determine the final annual performance-based variable compensation earned by each executive officer:

Selection of Performance Metrics. For fiscal 2021, the Compensation Committee designed an incentive program driven by achievement of a combination of target revenue and earnings results. Messrs. Mozden and Lipps were included in the plan.

Payout Based on Performance Against Goals. For fiscal 2021 the Company's performance, as evaluated by the Compensation Committee, lead to the determination Messrs. Mozden and Lipps earned $150,000 and $47,000, respectively.

Stock Options

The Committee has a long-standing practice of providing long-term incentive compensation grants to the executive officers. The Committee believes that such grants, in the form of stock options, help align our executive officers' interests with those of Sonic's stockholders. All stock options have been granted under our 2009 Stock Incentive Plan or 2020 Equity Incentive Plan ("Employee Plans"). The 2009 Stock Incentive Plan is now terminated.

The Committee reviews option grant recommendations by the Chief Executive Officer for each executive officer, but retains full discretion to accept, reject or revise each recommendation. The Committee's policy is to grant options on the date it approves them or such other future date as the Committee may agree at the time of approval. The exercise price is determined in accordance with the terms of the Employee Plan and cannot be less than the Fair Market Value, as defined in the Plan, of Sonic's common stock. The Committee typically grants options once per year, but may grant options to newly hired executives at other times.

In making its determinations, the Committee considers the number of options or shares owned by the executive officers.

Health and Welfare Benefits

Our officers are covered under the same health and welfare plans, including our 401(k) plan, as salaried employees.

Employment Agreements

The Company has employment agreements with Messrs. Mozden and Lipps. Pursuant to such agreements, Messrs. Mozden and Lipps receive annual base salaries, of $300,000 and $235,000, respectively, subject to increase each year at the discretion of the Board of Directors. Messrs. Mozden and Lipps are also entitled to incidental benefits of employment under the agreements. Each of the employment agreements provides that a cash severance payment be made upon termination, other than for cause, or upon death or disability. In the case of Mr. Mozden, such cash severance is equal to his then current base compensation paid bi-weekly over a twelve-month period. In the case of Mr. Lipps, such cash severance is equal to the highest cash compensation paid in any of the last three fiscal years immediately prior to termination. In addition, Messrs. Mozden will receive immediate vesting of all previously unvested common stock and stock options and have the right to voluntarily terminate his employment, and receive the same severance arrangement detailed above following (A) a change in control defined as (i) any "person" becoming a " beneficial" owner of stock of Sonic Foundry representing 50% or more of the total voting power of Sonic Foundry's then outstanding stock; or, (ii) Sonic Foundry is acquired by another entity through the purchase of substantially all of its assets or securities; or (iii) Sonic Foundry is merged with another entity, consolidated with another entity or reorganized in a manner in which any "person" is or becomes a "beneficial" owner of stock of the surviving entity representing 50% or more of the total voting power of the surviving entity's then outstanding stock; or (B) good reason defined as (i) a material diminution of his title, authority, status, duties or responsibilities; (ii) A material breach by the Company of the employment agreement; or (C) and change in the location of the Company's principal office to a location more that 50 miles outside of the Madison metropolitan area.

Mr. Lipps may similarly voluntarily terminate his employment and receive severance equal to the base and incentive compensation received by him in the fiscal year immediately prior to his termination upon a change in control if, one of the instances of good reason occurs within two years of such change in control without the consent of Mr. Lipps, with 90 days notice. Both change in control and good reason is defined the same as described above for Mr. Mozden.

Pursuant to the employment agreements, each of Messrs. Mozden and Lipps have agreed not to disclose our confidential information and not to compete against us during the term of his employment agreement and for a period of one year thereafter. Such non-compete clauses may not be enforceable, or may only be partially enforceable, in state courts of relevant jurisdictions.

If Sonic terminated Messrs. Mozden or Lipps on September 30, 2021, (not for cause), or if they elected to terminate their employment following a demotion or alteration of duties on September 30, 2021, or a change in control as defined in the employment agreements occurred in the case of Mr. Mozden and including a change of control in the case of Mr. Lipps, Sonic would be obligated to pay $300,000 and $299,571, respectively (based on fiscal 2021 and 2020 compensation for Messrs. Mozden and Lipps, respectively). In addition, any non-vested rights of Messrs. Mozden and Lipps under the Employee Plans, would vest as of the date of employment termination. There would be no additional value of accelerated vesting of the options under these circumstances for Mr. Lipps as all of his outstanding options are exercisable.

Personal Benefits

Our executives receive a limited number of personal benefits certain of which are considered taxable income to them and which are described in the footnotes to the section of this Proxy Statement entitled "Summary Compensation Table."

Internal Revenue Code Section 162(m)

Internal Revenue Code Section 162(m) limits the ability of a public company to deduct compensation in excess of $1 million paid annually to each of the Chief Executive Officer and each of the other executive officers named in the Summary Compensation Table. There are exemptions from this limit, including compensation that is based on the attainment of performance goals that are established by the Committee and approved by the Company stockholders. No executive officer was affected by this limitation in fiscal 2021.

COMPENSATION COMMITTEE REPORT

The Compensation Committee of Sonic Foundry has reviewed and discussed the Compensation Discussion and Analysis required by Item 402(b) of Regulation S-K with management and, based on such review and discussions, the Compensation Committee recommended to the Board that the Compensation Discussion and Analysis be included in the Company's 2021 Proxy Statement included in the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2021, as amended and filed in a Form 10-K.
Proxy Statement.

COMPENSATION COMMITTEE

Brian T. Wiegand, Chair
William St. Lawrence

Summary Compensation

The following table sets forth the compensation of our principal executive officer, our principal financial officer and our other executive officer for the fiscal year ended September 30, 2021.

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($) (d)	Stock Awards ($) (e)	Option Awards ($)(1) (f)	Non-Equity Incentive Plan Compensation ($)(2) (g)	Change in Pension Value and Non-qualified Deferred Compensation Earnings ($) (h)	All Other Compen-sation ($)(3) (i)	Total ($) (j)
Joe Mozden, Jr. (4)	2021	305,769	150,000	—	298,000	—	—	9,924	763,693
Ken Minor (5) Chief Financial Officer and Secretary	2021	86,252	—	—	—	—	—	—	86,252
Robert M. Lipps	2021	239,616	47,000	—	—	—	—	11,600	298,216
Executive Vice	2020	249,171	50,400	—	—	—	—	9,967	309,538
President - Sales	2019	242,810	—	—	—	34,077	—	9,100	285,987

(1) The option awards in column (f) represent the aggregate grant date fair value computed in accordance with FASB ASC Topic 718 for stock options granted during the fiscal year. The assumptions and methodology used in calculating the compensation expense of the option awards are provided in Sonic's Form 10-K. See Note 1, "Accounting for Stock Based Compensation" in the Notes to the Consolidated Financial Statements in Sonic's Form 10-K. The amounts in this column represent value attributed to the awards at the date of grant and not necessarily the actual value that will be realized by the executive. There can be no assurance that the options will ever be exercised (in which case no value will be realized by the executive) or that the value on exercise will equal the ASC Topic 718 value.

(2) The amounts in column (g) represent cash bonuses which were awarded for performance during the fiscal year based on a pre-established formula.

(3) The amount shown under column (i) for the fiscal year 2021 includes Sonic's matching contribution under our 401(k) plan of $9,924 and $11,600 for Messrs. Mozden and Mr. Lipps.

(4) Mr. Mozden was appointed CEO on September 14, 2020 and received no compensation in fiscal 2020.

(5) Mr. Minor was appointed Interim CFO effective February 25, 2021 upon the retirement of Ms. Kelsy Boyd. His compensation represents payments made to his wholly owned consulting firm, Spotlight CFO Services, LLC.

Grants of Plan-Based Awards

The following table shows the plan-based awards granted to the Named Executive Officers during fiscal 2021.

Name (a)	Grant Date (b)	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Threshold ($) (c)	Target ($) (d)	Maximum ($) (e)	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold ($) (f)	Target ($) (g)	Maximum ($) (h)	All other stock awards: Number of Shares of stock or units (#) (i)	All other option awards: Number of Securities Underlying Options (#) (j)	Exercise or base price of option awards ($/Sh) (1) (k)	Grant Date fair Value of Stock and option awards ($) (2) (l)
Joe Mozden, Jr.	10/20/21	—	—	—	—	—	—	—	200,000	3.16	298,000

(1) Sonic grants employee stock options with exercise prices equal to the closing stock price on the date of grant.

(2) The amount reported in column (l) represents the grant date fair value of the award following the required FASB ASC Topic 718 compensation methodology. Grant date fair value is calculated using the Lattice method. See Note 1, "Accounting for Stock Based Compensation" in the Notes to the Consolidated Financial Statements in Sonic's Form 10-K for the fiscal year ended September 30, 2021 for an explanation of the methodology and assumptions used in FASB ASC Topic 718 valuation. With respect to the option grants, there can be no assurance that the options will ever be exercised (in which case no value will be realized by the executive) or that the value on exercise will equal the FASB ASC Topic 718 value.

Sonic grants options to its executive officers under our employee stock option plans. As of September 30, 2021, options to purchase a total of 1,779,479 shares were outstanding under the plans, and options to purchase 987,500 shares remained available for grant thereunder.

Outstanding Equity Awards at Fiscal Year-End

The following table shows information concerning outstanding equity awards as of September 30, 2021 held by the Named Executive Officers.

	Option Awards					Stock Awards			
Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (1) (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1) (c)	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#) (d)	Option Exercise Price ($) (1) (e)	Option Expiration Date (1) (f)	Number of Shares or Units of Stock That Have Not Vested (#) (g)	Market Value of Shares or Units of Stock That Have Not Vested ($) (h)	Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#) (i)	Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($) (j)
Joe Mozden, Jr.	68,000	132,000	None	3.16	10/20/2030				
Robert M. Lipps	40,000	0	None	7.80	10/17/2022				
	27,816	0		7.17	11/05/2025				
	41,273	0		4.75	12/27/2026				
	51,071	0		2.49	01/17/2028				

(1) All options were granted under our stockholder approved Employee Stock Option Plan. All unexercisable options listed in the table for Mr. Mozden become exercisable through July 14, 2023, in varying amounts.

Option Exercises and Stock Vested

The following table shows information concerning option exercises in fiscal 2021 by the Named Executive Officers.

	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
None				

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance
	(a)	(b)	(c)
Equity compensation plans approved by security holders (1)	1,853,479	$ 4.44	1,634,960
Total	1,853,479	$ 4.44	1,634,960

(1) Consists of the 2009 Stock Incentive Plan, the 2020 Equity Incentive Stock Option Plan, and the 2008 Non-Employee Directors Stock Option Plan. For further information regarding these plans, reference is made to Note 5 of the financial statements.

Compensation Committee Interlocks and Insider Participation

The members of the Executive Compensation Committee of Sonic's Board of Directors for fiscal 2021 were those named in the Executive Compensation Committee Report. No member of the Committee was at any time during fiscal 2021 or at any other time an officer or employee of Sonic Foundry, Inc.

No executive officer of Sonic Foundry, Inc. has served on the board of directors or compensation committee of any other entity that has or has had one or more executive officers serving as a member of the Board of Directors of Sonic Foundry.

PROPOSAL TWO: PROPOSAL TO AMEND THE 2020 EQUITY INCENTIVE PLAN

The Board of Directors recommends amending the 2020 Equity Incentive Plan (as amended, the “Amended 2020 Plan”) by increasing the shares that may be issued pursuant to the plan from 1,000,000 to 2,000,000.

Our Board believes that the Amended 2020 Plan is a vital component of our employee compensation programs, since it allows us the ability to compensate our employees, consultants and non-employee directors whose contributions are important to our success by offering them the opportunity to participate in our future performance while at the same time providing an incentive to build long-term stockholder value. We operate in a competitive market and new hire grants are essential in helping us attract talented individuals. Likewise, annual grants are essential in helping us retain and motivate our most valuable employees. Both new hire grants and annual grants help keep employees’ interests aligned with the interests of our stockholders. The Amended 2020 Plan is intended to increase the number of shares pursuant to the plan in order to provide sufficient shares for further grants. The 2020 Equity Incentive Plan, at the date of this filing, provided for the grant of up to 1,000,000 stock options, of which 714,750 were granted under the plan and 4,000 expired, leaving a balance of 289,250 available for grant. Under the Amended 2020 Plan, 1,289,250 shares will be available for grant.

Board Recommendation

We believe that the approval of the Amended 2020 Plan is appropriate. The Board believes that equity awards in meaningful amounts motivate high levels of performance, align the interests of our employees and stockholders by giving employees the perspective of an owner with an equity stake in the company and provide an effective means of recognizing employee contributions to the success of the company. The Board believes that equity awards are a competitive necessity in the environment in which we operate, and are essential to our continued success at recruiting and retaining the highly qualified technical and other key personnel who help the company meet its goals, as well as rewarding and encouraging current employees. The Board believes that the ability to continue granting meaningful equity awards will be important to our future success.

Summary of the 2020 Plan

The following paragraphs provide a summary of the principal features of the Amended 2020 Plan. This summary does not purport to be complete and is qualified in its entirety by reference to the full text of the Amended 2020 Plan to give effect to this Proposal 2, a copy of which has been filed with the SEC with this proxy statement as Annex A. For purposes of this Summary of the Amended 2020 Plan, the term “Committee” refers to the Executive Compensation Committee, unless the context or applicable law requires otherwise.

Purpose. Our Amended 2020 Plan will advance the interests of Sonic Foundry and our stockholders by providing equity-based incentives that are necessary in today’s competitive labor market to attract, motivate, reward and retain employees, consultants, directors and other advisors upon whose judgment and contributions we depend for our success. The Amended 2020 Plan will allow us to achieve these purposes by providing for grants of stock options, stock appreciation rights, stock purchase rights, stock grants, RSU’s, performance shares and performance units.

Eligibility. We may grant awards to employees (including executive officers) and consultants of Sonic Foundry, our subsidiary corporations or other affiliated entities of Sonic Foundry and members of our Board. Pursuant to applicable tax law, we may grant incentive stock options only to employees; however, we may grant all other awards to any eligible participant. As of September 30, 2021, we had a total of 180 employees and six non-employee directors who would be eligible to be granted awards from the Amended 2020 Plan.

Shares Subject to the Amended 2020 Plan. We are proposing to increase the number of shares reserved under the 2020 Plan from 1,000,000 shares of our common stock to 2,000,000.

Shares Available for Grant. If any award granted under the Amended 2020 Plan expires, lapses or otherwise terminates for any reason without having been exercised or settled in full, or if shares subject to forfeiture or repurchase upon failure to vest at termination are forfeited or repurchased, such shares will again become available for issuance under the Amended 2020 Plan in proportion to the number of shares by which the reserve was originally reduced at the time of grant or issuance. Shares will not be treated as having been issued under the Amended 2020 Plan, and will therefore not reduce the number of shares available for grant, to the extent an award is settled in cash (other than stock appreciation rights). Shares will be treated as having been issued under the Amended 2020 Plan to the extent such shares are withheld in satisfaction of tax withholding obligations or the payment of the award’s exercise or purchase price. Upon exercise of stock appreciation rights or net exercise of options, the gross number of shares exercised will be treated as having been issued under the Amended 2020 Plan. Shares issued under the Amended 2020 Plan may be authorized but unissued or reacquired shares of Sonic Foundry common stock or any combination thereof.

Share Adjustments for Changes in Capital Structure. Appropriate adjustments will be made to the number and class of shares reserved under the Amended 2020 Plan, the other numerical limits described in the Amended 2020 Plan and the number of shares and exercise or purchase price of outstanding awards granted under the Amended 2020 Plan, in the event of any change in our common stock through a stock split, stock dividend, merger, reorganization, or similar change in Sonic Foundry’s capital structure, or in the event of a dividend or distribution to our stockholders in a form other than Sonic Foundry common stock (excepting normal cash dividends) that has a material effect on the fair market value of shares of Sonic Foundry common stock.

Award Types. The Amended 2020 Plan authorizes the award of stock options, stock appreciation rights, stock grants, stock purchase rights, RSU’s, performance shares and performance units, as well as for services as a director, cash-based amounts (including, without limitation, retainers).

Administration. The Amended 2020 Plan will continue to be administered by the Board and the Committee (the “Plan Administrator”). The Board authorizes grants of awards to its directors. The Committee, which consists entirely of “non-employee directors” within the meaning of Rule 16b-3 under the Exchange Act, will be authorized to grant all types of awards to employees, executive officers and consultants. Subject to the provisions of the Amended 2020 Plan and the authority delegated to it by the Board, the Committee will determine, in its discretion, the persons to whom and the times at which awards are granted, the types and sizes of such awards, and all of their terms and conditions. The Plan Administrator interprets the Amended 2020 Plan and may also establish rules and policies for administration of the Amended 2020 Plan. The Plan Administrator will have the power and authority to make all determinations and take any actions with respect to the Amended 2020 Plan and awards granted under the Amended 2020 Plan that the Plan Administrator deems advisable and otherwise not inconsistent with the Amended 2020 Plan terms or applicable law.

Stock Options. The Plan Administrator may grant stock options under the Amended 2020 Plan. The exercise price of each stock option may not be less than the fair market value of a share of our common stock on the date of grant (except in connection with the assumption or substitution for another stock option in a manner qualifying under Sections 409A and 424(a) of the Internal Revenue Code of 1986, as amended ("Code")). In addition, any incentive stock option granted to a person who at the time of grant owns stock possessing more than 10% of the total combined voting power of all classes of our stock or any subsidiary corporation of Sonic Foundry (a "Ten Percent Stockholder") must have an exercise price equal to at least 110% of the fair market value of a share of our common stock on the date of grant.

The Plan Administrator may permit payment of the exercise price of an option in such form of consideration as approved by the Plan Administrator to the extent permitted by applicable law.

Stock options become vested and exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the Plan Administrator. Stock options granted under the Amended 2020 Plan will expire not later than ten years from the date of grant and in no event will the term of an incentive stock option granted to a Ten Percent Stockholder exceed five years.

Stock Appreciation Rights. The Plan Administrator may grant stock appreciation rights either in tandem with a related stock option (a "Tandem SAR") or independently of any stock option (a "Freestanding SAR"). A Tandem SAR requires the stock option holder to elect either the exercise of the underlying stock option for shares of common stock which will result in the surrender of the related Tandem SAR, or the exercise of the Tandem SAR which will result in the surrender of the related stock option. A Tandem SAR is exercisable only at the time and only to the extent that the related stock option is exercisable, while a Freestanding SAR is exercisable at such times or upon such events and subject to such terms, conditions, performance criteria or restrictions as specified by the Plan Administrator, provided that a Freestanding SAR will expire not later than seven years from the date of grant. The exercise price of a stock appreciation right may not be less than the fair market value of a share of our common stock on the date of grant.

Upon the exercise of a stock appreciation right, the participant is entitled to receive an amount equal to the excess of the fair market value of the underlying shares of common stock as to which the right is exercised over the aggregate exercise price for such shares. At the Plan Administrator's discretion, we may pay this stock price appreciation in cash, in shares of common stock whose fair market value on the exercise date equals the payment amount, or a combination of both. Payment generally is made in a lump sum as soon as possible following exercise.

Repricing Prohibition. Repricing a stock option or a stock appreciation right is prohibited without prior stockholder approval.

Stock Awards. Stock awards may be granted under the Amended 2020 Plan in the form of a stock grant, a stock purchase right or an RSU. No monetary payment is required for receipt of shares pursuant to a stock grant. The purchase price for shares issuable under each stock purchase right (and, if applicable, each RSU) will be established by the Plan Administrator in its discretion and may be paid in cash, by check, in cash equivalent, by such other lawful consideration as approved by the Plan Administrator, or any combination thereof.

Stock awards may be granted by the Plan Administrator subject to such restrictions for such periods as determined by the Plan Administrator and set forth in a written agreement between Sonic Foundry and the participant, and neither the award nor the shares acquired pursuant to the award may be sold or otherwise transferred or pledged until the restrictions lapse or are terminated. Restrictions may lapse in full or in installments on the basis of the participant's continued service or other factors, such as the attainment of one or more performance goals established by the Plan Administrator.

Unless determined otherwise by the Plan Administrator, a participant generally will have all the rights of a stockholder including voting rights and right to receive dividends with respect to shares underlying a stock grant award but dividends shall not be paid to the participant unless the related stock grant award vests. The Plan Administrator may grant dividend equivalent rights with respect to restricted stock units but payments with respect to such dividend equivalent rights shall not be made unless the related RSUs vest.

Performance Awards. The Plan Administrator may grant performance shares and performance units ("performance awards") subject to such conditions and the attainment of such performance goals over such periods as the Plan Administrator determines. Performance shares and performance units are unfunded bookkeeping entries generally having initial values equal to the fair market value determined on the grant date of one share of common stock and $100 per unit, respectively. Performance awards will specify a predetermined amount of performance shares or performance units that may be earned by the participant to the extent that one or more predetermined performance goals are attained within a predetermined performance period. We may settle performance awards to the extent earned in cash, shares of our common stock (including shares of restricted stock) or a combination of both. The Plan Administrator may grant dividend equivalent rights with respect to performance shares for cash dividends, which may be paid to the participant in the form of cash, shares of common stock or a combination of both but shall only be payable if the related performance shares are earned.

Generally, performance goals will be based on the achievement of company-wide, divisional or individual goals or any other basis determined by the Committee in its discretion.

Following completion of the applicable performance period, the Plan Administrator will determine the extent to which the applicable performance goals have been attained and the resulting value to be paid to the participant. The Plan Administrator may otherwise make positive or negative adjustments to performance award payments to participants to reflect the participant's individual job performance or other factors determined by the Plan Administrator.

Clawback/Recovery. Any award granted under the Amended 2020 Plan is subject to recovery pursuant to any clawback requirements that the Plan Administrator sets forth in the award agreement and any clawback policy that Sonic Foundry otherwise is required to adopt under applicable law.

Change of Control. In the event of a "Change of Control" (as defined in the Amended 2020 Plan), the surviving, continuing successor or purchasing entity or its parent may, without the consent of any participant, either assume Sonic Foundry's rights and obligations under outstanding awards or substitute substantially equivalent equity awards. If the acquiring entity elects not to do so, then all unexercised and unvested portions of all outstanding awards will become immediately exercisable and vested in full. Any awards which are not assumed or replaced in connection with a Change of Control or exercised prior to the Change of Control will terminate effective as of the time of the Change of Control. We may provide in the future additional benefits upon a Change of Control or other similar transactions.

Transferability. Generally, awards under the Amended 2020 Plan may not be transferred except by will or the laws of descent and distribution, and may be exercised during a participant's lifetime only by the participant.

Tax Withholding. To the extent permitted by law, we may deduct from the shares issuable to a participant upon the exercise or settlement of an award, or to accept from the participant the tender of, shares having a value equal to all or any part of the tax withholding obligations; provided that, the value of shares withheld or tendered to satisfy any such tax withholding obligations may not exceed the amount determined by the Plan Administrator or the amount of taxes owed by the participant using the maximum statutory tax rate in the participant's applicable jurisdiction.

Termination or Amendment. The Amended 2020 Plan will continue in effect until the first to occur of (1) its termination by the Board, or (2) the date on which all shares available for issuance under the Amended 2020 Plan have been issued and all restrictions on such shares under the terms of the Amended 2020 Plan and the agreements evidencing awards granted under the Amended 2020 Plan have lapsed. All incentive stock options must be granted, if at all, within ten years from the earlier of the date the Amended 2020 Plan is adopted by the Board (or the Committee) or the date the Amended 2020 Plan is duly approved by our stockholders.

The Plan Administrator may terminate or amend the Amended 2020 Plan at any time, provided that without stockholder approval, the 2020 Plan cannot be amended to effect any change that would require stockholder approval under any applicable law, regulation or rule. Further, generally no termination or amendment of the Amended 2020 Plan may adversely affect an outstanding award without the participant's consent, unless such termination or amendment is necessary to comply with applicable law, regulation, or rule.

Summary of Federal Income Tax Consequences

The following summary is intended only as a general guide to the current U.S. federal income tax consequences of participation in the Amended 2020 Plan and does not attempt to describe all possible federal or other tax consequences of such participation or tax consequences based on particular circumstances, and, among other considerations, does not describe state, local, or international tax consequences. Furthermore, the tax consequences are complex and subject to change, and a taxpayer's particular situation may be such that some variation of the described rules is applicable.

Incentive Stock Options. A participant recognizes no taxable ordinary income as a result of the grant or exercise of an incentive stock option qualifying under Section 422 of the Code. However, the exercise of an incentive stock option may increase the participant's alternative minimum tax liability, if any.

If a participant holds stock acquired through the exercise of an incentive stock option for more than two years from the date on which the stock option was granted and more than one year after the date the stock option was exercised for those shares, any gain or loss on a disposition of those shares (a "qualifying disposition") will be a long-term capital gain or loss. Upon such a qualifying disposition, Sonic Foundry will not be entitled to any income tax deduction.

Generally, if the participant disposes of the stock before the expiration of either of those holding periods described above (a "disqualifying disposition"), then at the time of such disqualifying disposition the participant will realize taxable ordinary income equal to the lesser of (1) the excess of the stock's fair market value on the date of exercise over the exercise price, or (2) the participant's actual gain, if any, on the purchase and sale. The participant's additional gain or any loss upon the disqualifying disposition will be a capital gain or loss, which will be long term or short term depending on whether the stock was held for more than one year. To the extent the participant recognizes ordinary income by reason of a disqualifying disposition, generally Sonic Foundry will be entitled to a corresponding income tax deduction in the tax year in which the disqualifying disposition occurs.

Nonstatutory Stock Options and Stock Appreciation Rights. A participant generally recognizes no taxable ordinary income as a result of the grant of a nonstatutory stock option or stock appreciation right with a per share exercise price equal to not less than the fair market value of a share of the underlying stock on the date of grant. Upon exercise of a nonstatutory stock option or stock appreciation right, the participant generally recognizes ordinary income in the amount equal to the excess of the fair market value of the exercised shares on the date of purchase over the exercise price of such shares. Generally, Sonic Foundry will be entitled to an income tax deduction in the taxable year in which such ordinary income is recognized by the participant.

Upon the disposition of stock acquired by the exercise of a nonstatutory stock option, any gain or loss, based on the difference between the sale price and the fair market value on the exercise date, will be taxed as capital gain or loss.

Stock Grants and Stock Purchase Rights. A participant acquiring stock generally will recognize ordinary income equal to the difference between the fair market value of the shares on the "determination date" and the participant's purchase price, if any. The "determination date" is the date on which the participant acquires the shares unless they are subject to a substantial risk of forfeiture and are not transferable, in which case the determination date is the earlier of (1) the date on which the shares become transferable, or (2) the date on which the shares are no longer subject to a substantial risk of forfeiture. If the determination date is after the date on which the participant acquires the shares, the participant may elect, pursuant to Section 83(b) of the Code, to have the date of acquisition be the determination date by filing an election with the Internal Revenue Service no later than 30 days after the date the shares are acquired. Upon the sale of shares acquired pursuant to a restricted stock award, any gain or loss, based on the difference between the sale price and the fair market value on the determination date, will be taxed as a capital gain or loss. Such gain or loss will be long term or short term depending on whether the stock was held for more than one year. Sonic Foundry generally will be entitled to a corresponding income tax deduction in the taxable year in which ordinary income is recognized by the participant.

Restricted Stock Units. A participant generally recognizes no taxable ordinary income as a result of the grant of an RSU award. In general, the participant will recognize ordinary income in the year in which the shares subject to that award vest and are actually issued to the participant, in an amount equal to the fair market value of the shares on the date of issuance. Sonic Foundry generally will be entitled to an income tax deduction equal to the amount of ordinary income recognized by the participant for the taxable year in which such ordinary income is recognized by the participant.

Performance Awards. A participant generally will recognize no income as a result of the grant of a performance share or performance unit award. Upon the settlement of such awards, participants generally will recognize ordinary income in the year of receipt in an amount equal to the cash received, if any, and the fair market value of any unrestricted shares received. If the participant receives shares of restricted stock, the participant generally will be taxed in the same manner as described above in "Stock Grants and Stock Purchase Rights." Upon the sale of any shares received, any gain or loss, based on the difference between the sale price and the fair market value on the "determination date," will be taxed as a capital gain or loss. Sonic Foundry generally will be entitled to a deduction equal to the amount of ordinary income recognized by the participant for the taxable year in which such ordinary income is recognized by the participant.

Limitation on Deductions. Section 162(m) of the Code denies a deduction to any publicly held corporation for compensation paid to certain "covered employees" in a taxable year to the extent that compensation to each covered employee exceeds $1 million.

Section 409A. Section 409A of the Code provides certain requirements for non-qualified deferred compensation arrangements with respect to an individual's deferral and distribution elections and permissible distribution events. Awards granted under the 2020 Plan with a deferral feature will be subject to the requirements of Section 409A. If an award is subject to and fails to satisfy the requirements of Section 409A, the recipient of that award may recognize ordinary income on the amounts deferred under the award, to the extent vested, which may be prior to when the compensation actually or constructively is received. Also, if an award that is subject to Section 409A fails to comply with Section 409A's provisions, Section 409A imposes an additional 20% federal income tax on compensation recognized as ordinary income, as well as interest on such deferred compensation.

Awards Under the Plan

Awards under the Amended 2020 Plan would be made at the discretion of the Committee. Therefore, the benefits and amounts that will be received or allocated under the Amended 2020 Plan in the future are not determinable at this time. No awards have been granted that are contingent on the approval of the Amended 2020 Plan.

Approval of the Amended 2020 Plan requires the affirmative vote of the holders of a majority of the shares entitled to vote at this meeting.

Recommendation of Board of Directors

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL TWO AMENDING THE 2020 EQUITY INCENTIVE PLAN.

PROPOSAL THREE: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

The Board of Directors, upon the recommendation of the Audit Committee, has appointed the firm of Wipfli LLP ("Wipfli") as independent auditors to audit our financial statements for the year ending September 30, 2022, and has further directed that management submit the selection of independent public accountants for ratification by the stockholders at the Annual Meeting.

Stockholder ratification of the selection of Wipfli as our independent auditors is not required by our Bylaws or otherwise. However, the Board is submitting the selection of Wipfli to the stockholders for ratification as a matter of good corporate practice. If the stockholders fail to ratify the selection, the Board and the Audit Committee will reconsider whether or not to retain that firm. Even if the selection is ratified, the Board and the Audit Committee in their discretion may direct the appointment of a different independent accounting firm at any time during the year if they determine that such a change would be in the best interests of Sonic and its stockholders.

The ratification of the appointment of Wipfli as independent public accountants requires the approval of a majority of the votes cast at the Annual Meeting.

Recommendation of Board of Directors

THE BOARD OF DIRECTORS UNANIMOUSLY RECOMMENDS A VOTE FOR PROPOSAL THREE RATIFYING THE APPOINTMENT OF WIPFLI AS INDEPENDENT AUDITORS FOR SONIC FOUNDRY.

Relations with Independent Auditors

The Company, upon the recommendation of its audit committee has selected Wipfli, LLP ("Wipfli") as its independent auditor for the fiscal year ending September 30, 2022.

During the years ended September 30, 2021 and 2020, neither the Company nor its audit committee consulted Wipfli with respect to the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on our financial statements, as defined in Item 304(a)(2)(i) of Regulation S-K, for which was concluded an important factor considered by the Company in reaching a decision as to the accounting, auditing or financial reporting issue. Likewise, neither the Company nor the audit committee consulted Wipfli regarding any matter that was the subject of a disagreement or a reportable event, as defined in Item 304(a)(2)(ii) of Regulation S-K.

As stated in Proposal 3, the Board has selected Wipfli to serve as our independent auditors for the fiscal year ending September 30, 2022.

Audit services performed by Wipfli for Fiscal years 2021 and 2020 consisted of the examination of our financial statements, review of fiscal quarter results, and services related to filings with the Securities and Exchange Commission (SEC). We also retained Wipfli to perform certain audit related services associated with the audit of our benefit plan. All fees paid to Wipfli were reviewed, considered for independence and upon determination that such payments were compatible with maintaining such auditors' independence, approved by Sonic's audit committee prior to performance.

Fiscal Years 2021 and 2020 Audit Firm Fee Summary

During fiscal years 2021 and 2020, we retained our principal accountants to provide services in the following categories and amounts:

	Years Ended September 30,	
	2021	2020
Wipfli LLP		
Audit Fees	$ 270,580	$ 276,135
Audit Related	11,000	10,850
Tax Fees	30,090	35,867

All of the services described above were approved by Sonic's audit committee prior to performance. The Audit Committee may, in its discretion, delegate to one or more of its members the authority to pre-approve any audit or non-audit services to be performed by the independent auditors, provided that any such approvals are presented to the Audit Committee at its next scheduled meeting. The audit committee has determined that the payments made to its independent accountants for these services are compatible with maintaining such auditors' independence.

REPORT OF THE AUDIT COMMITTEE [1]

The Audit Committee's role includes the oversight of our financial, accounting and reporting processes, our system of internal accounting and financial controls and our compliance with related legal and regulatory requirements, the appointment, engagement, termination and oversight of our independent auditors, including conducting a review of their independence, reviewing and approving the planned scope of our annual audit, overseeing the independent auditors' audit work, reviewing and pre-approving any audit and non-audit services that may be performed by them, reviewing with management and our independent auditors the adequacy of our internal financial controls, and reviewing our critical accounting policies and the application of accounting principles. The Audit Committee held five meetings during fiscal 2021.

Messrs. Murphy, Jangda and Wiegand meet the rules of the SEC for audit committee membership and are "independent" as that term is used in Item 7(d)(3)(iv) of Schedule 14A under the Exchange Act and under Nasdaq listing standards. A copy of the Audit Committee Charter is available on Sonic's website.

As set forth in the Audit Committee Charter, management of Sonic is responsible for the preparation, presentation and integrity of Sonic's financial statements and for the effectiveness of internal control over financial reporting. Management and the accounting department are responsible for maintaining Sonic's accounting and financial reporting principles and internal controls and procedures designed to assure compliance with accounting standards and applicable laws and regulations. The independent auditors are responsible for auditing Sonic's financial statements and expressing an opinion as to their conformity with generally accepted accounting principles.

We have reviewed and discussed with our independent auditors, Wipfli, matters required to be discussed pursuant to Auditing Standard No. 16 (Communications with Audit Committees) as promulgated by the Public Company Accounting Oversight Board. We have received from the auditors a formal written statement describing the relationships between the auditor and Sonic that might bear on the auditor's independence consistent with applicable requirements of the Public Company Accounting Oversight Board. We have discussed with Wipfli matters relating to its independence, including a review of audit related fees, and considered the compatibility of non-audit services with the auditors' independence.

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[1] The material in this report is not "soliciting material", is not deemed filed with the SEC, and is not to be incorporated by reference in any of our filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date hereof and irrespective of any general incorporation language in such filing.

The members of the Audit Committee are not full-time employees of Sonic and are not performing the functions of auditors or accountants. As such, it is not the duty or responsibility of the Audit Committee or its members to conduct "field work" or other types of auditing or accounting reviews or procedures or to set auditor independence standards. Members of the Committee necessarily rely on the information provided to them by management and the independent accountants. Accordingly, the Audit Committee's considerations and discussions referred to above do not assure that the audit of Sonic's financial statements has been carried out in accordance with generally accepted auditing standards, that the financial statements are presented in accordance with generally accepted accounting principles or that Sonic's auditors are in fact "independent."

We have reviewed and discussed with management and Wipfli the audited financial statements. We discussed with Wipfli the overall scope and plans of their audit. We met with Wipfli, with and without management present, to discuss results of their examination and the overall quality of Sonic's financial reporting.

Based on the reviews and discussions referred to above and our review of Sonic's audited financial statements for fiscal 2021, we recommended to the Board that the audited financial statements be included in the Annual Report on Form 10-K for the fiscal year ended September 30, 2021, for filing with the SEC effective December 9, 2021.
Respectfully submitted,

AUDIT COMMITTEE
Nelson A. Murphy, Chair
Brian T. Wiegand
Taha Jangda

CERTAIN TRANSACTIONS

Frederick H. Kopko, Jr., a director and stockholder of Sonic Foundry, is a partner in McBreen & Kopko. Pursuant to the 2008 Non-Employee Directors Plan, Mr. Kopko was granted options to purchase 18,000 shares of Common Stock at exercise prices ranging from $1.39 to $10.07. During fiscal 2020, we paid the Chicago law firm of McBreen & Kopko certain compensation for legal services rendered subject to standard billing rates.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Exchange Act of 1934 requires Sonic's officers and directors, and persons who own more than ten percent of the Common Stock, to file reports of ownership and changes in ownership with the Securities and Exchange Commission. Based solely upon a review of Forms 3 and Forms 4 furnished to us pursuant to Rule 16a-3 under the Exchange Act during our most recent fiscal year, to Sonic Foundry's knowledge, all reporting persons complied with all applicable filing requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended.

Code of Ethics

Sonic has adopted a Code of Ethics (as defined in Item 406 of Regulation S-K) that applies to its principal executive, financial and accounting officers. Sonic Foundry will provide a copy of its code of ethics, without charge, to any investor who requests it. Requests should be addressed in writing to Mr. Ken Minor, Corporate Secretary, 222 West Washington Ave, Madison, WI 53703.

COMMUNICATIONS WITH THE BOARD OF DIRECTORS

Any stockholder who desires to contact our Board or specific members of our Board may do so electronically by sending an email to the following address: *directors@sonicfoundry.com*. Alternatively, a stockholder can contact our Board or specific members of our Board by writing to: Secretary, Sonic Foundry Incorporated, 222 West Washington Avenue, Madison, WI 53703.

Each communication received by the Secretary will be promptly forwarded to the specified party following normal business procedures. The communication will not be opened but rather will be delivered unopened to the intended recipient. In the case of communications to the Board or any group or committee of Directors, the Secretary will open the communication and will make sufficient copies of the contents to send to each Director who is a member of the group or committee to which the envelope is addressed.

STOCKHOLDER PROPOSALS FOR 2022 ANNUAL MEETING OF STOCKHOLDERS

Requirements for Stockholder Proposals to be Considered for Inclusion in Sonic's Proxy Materials.
Stockholders of Sonic may submit proposals on matters appropriate for stockholder action at meetings of Sonic's stockholders in accordance with Rule 14a-8 promulgated under the Securities Exchange Act of 1934. For such proposals to be included in Sonic's proxy materials relating to its 2022 Annual Meeting of Stockholders, all applicable requirements of Rule 14a-8 must be satisfied and such proposals must be received by Sonic no later than the anniversary date of 120 days prior to the date of this proxy statement (September 27, 2022). Such proposals should be delivered to Corporate Secretary, Sonic Foundry, Inc., 222 West Washington Avenue, Madison, Wisconsin 53703.

Requirements for Stockholders Proposals to be Brought Before the Annual Meeting.
Sonic's bylaws provide that, except in the case of proposals made in accordance with Rule 14a-8, for stockholder nominations to the Board of Directors or other proposals to be considered at an annual meeting of stockholders, the stockholder must have given timely notice thereof in writing to the Secretary not less than ninety nor more than one hundred twenty calendar days prior to the anniversary of the date on which Sonic held its immediately preceding annual meeting of stockholders. To be timely for the 2022 Annual Meeting of Stockholders, a stockholder's notice must be delivered or mailed to and received by Sonic's Secretary at the principal executive offices of Sonic between November 10, 2022 and December 10, 2022. However, in the event that the annual meeting is advanced by more than 30 days or delayed by more than 60 days from March 10, 2023, to be timely, notice by the stockholders must be so received not earlier than the close of business on the 120th day prior to such annual meeting and not later than the close of business on the later of the 90th day prior to such annual meeting or the tenth calendar day following the date on which public announcement of the date of the annual meeting is first made. In no event will the public announcement of an adjournment of an annual meeting of stockholders commence a new time period for the giving of a stockholder's notice as provided above. A stockholder's notice to Sonic's Secretary must set forth the information required by Sonic's bylaws with respect to each matter the stockholder proposes to bring before the Annual Meeting. In addition, the proxy solicited by the Board of Directors for the 2022 Annual Meeting of Stockholders will confer discretionary authority to vote on (i) any proposal presented by a stockholder at that meeting for which Sonic has not been provided with notice on or prior to the anniversary date of 45 days prior to the date of this proxy statement (December 11, 2022) and (ii) any other proposal, if the 2022 proxy statement briefly describes the matter and how management's proxy holders intend to vote on it, and if the stockholder does not comply with the requirements of Rule 14a-4(c)(2) under the Securities Exchange Act of 1934. Notwithstanding the above, all stockholder proposals must comply with the provisions of Sonic's bylaws.

OTHER MATTERS

The Board of Directors has at this time no knowledge of any matters to be brought before this year's Annual Meeting other than those referred to above. However, if any other matters properly come before this year's Annual Meeting, it is the intention of the persons named in the proxy to vote such proxy in accordance with their judgment on such matters.

GENERAL

A copy of our Annual Report to Stockholders for the fiscal year ended September 30, 2021 is being mailed, together with this Proxy Statement, to each stockholder. Additional copies of such Annual Report and of the Notice of Annual Meeting, this Proxy Statement and the accompanying proxy may be obtained from us. We will, upon request, reimburse brokers, banks and other nominees, for costs incurred by them in forwarding proxy material and the Annual Report to beneficial owners of Common Stock. In addition, directors, officers and regular employees of Sonic and its subsidiaries, at no additional compensation, may solicit proxies by telephone, telegram or in person. All expenses in connection with soliciting management proxies for this year's Annual Meeting, including the cost of preparing, assembling and mailing the Notice of Annual Meeting, this Proxy Statement and the accompanying proxy are to be paid by Sonic.

Sonic will provide without charge (except for exhibits) to any record or beneficial owner of its securities, on written request, a copy of Sonic's Annual Report on Form 10-K filed with the Securities and Exchange Commission for the fiscal year ended September 30, 2021, including the financial statements and schedules thereto. Exhibits to said report, and exhibits to this proxy statement, will be provided upon payment of fees limited to Sonic's reasonable expenses in furnishing such exhibits. Written requests should be directed to Investor Relations, 222 West Washington Avenue, Madison, Wisconsin 53703. We also make available, free of charge, at the "Investor Information" section of our website, our annual report on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, our proxy statement, amendments and exhibits to such reports as soon as practicable after the filing of such reports, exhibits and proxy statements with the Securities and Exchange Commission.

In order to assure the presence of the necessary quorum at this year's virtual Annual Meeting, and to save Sonic the expense of further mailings, please date, sign and mail the enclosed proxy promptly in the envelope provided. No postage is required if mailed within the United States. The signing of a proxy will not prevent a stockholder of record from voting virtually at the meeting.

By Order of the Board of Directors,

/s/Ken Minor

January 27, 2022

Ken Minor, Secretary

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

FORM 10-K

(Mark One)

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

For the fiscal period ended September 30, 2021
OR

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

Commission File Number 000-30407

SONIC FOUNDRY, INC.

(Exact name of registrant as specified in its charter)

Maryland	**39-1783372**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
222 W. Washington Ave, Madison, WI 53703	**(608) 443-1600**
(Address of principal executive offices)	**(Issuer's telephone number)**

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

Securities registered pursuant to Section 12(g) of the Act: Common stock par value $0.01 per share

Indicate by check mark if the registrant is a well-known seasoned issuer as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

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

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

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

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

The aggregate market value of the registrant's common stock held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked price of such common equity, as of the last business day of the Registrant's most recently completed second fiscal quarter was approximately $12,023,119.

The number of shares outstanding of the registrant's common equity was 9,095,355 as of December 6, 2021.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2021 Annual Meeting of Stockholders are incorporated by reference into Part III. A definitive Proxy Statement pursuant to Regulation 14A will be filed with the Commission for required sections.

Sonic Foundry, Inc.
Annual Report on Form 10-K
For the Year Ended September 30, 2021

TABLE OF CONTENTS

Sonic Foundry, Inc.
Annual Report on Form 10-K
For the Year Ended September 30, 2021

This annual report on Form 10-K (this "Report") contains statements that are considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and its rules and regulations (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended, and its rules and regulations (the "Exchange Act"). When used in this Report, the words "anticipate", "expect", "plan", "believe", "seek", "estimate" and similar expressions are intended to identify such forward-looking statements. These are statements that relate to future periods and include, but are not limited to, statements about the features, benefits and performance of our Rich Media products, our ability to introduce new product offerings and increase revenue from existing products, expected expenses including those related to selling and marketing, product development and general and administrative, our beliefs regarding the health and growth of the market for our products, anticipated increase in our customer base, expansion of our products functionalities, expected revenue levels and sources of revenue, expected impact, if any, of legal proceedings, the adequacy of liquidity and capital resources, and expected growth in business. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, market acceptance for our products, our ability to attract and retain customers and distribution partners for existing and new products, our ability to control our expenses, our ability to recruit and retain employees, the ability of distribution partners to successfully sell our products, legislation and government regulation, shifts in technology, global and local business conditions, our ability to effectively maintain and update our products and service portfolio, the strength of competitive offerings, the prices being charged by those competitors, and the risks discussed elsewhere herein. These forward-looking statements speak only as of the date hereof. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

PART I

ITEM 1. BUSINESS

Who We Are

Sonic Foundry (OTC Pink Sheets: SOFO) (the "Company") is a global leader in video creation management solutions as well as virtual and hybrid events through its Mediasite™ video platform. The Mediasite Video Platform automates the capture, management, and delivery of live and on-demand streaming videos for more than 5,200 educational institutions, corporations, healthcare organizations and government entities in over 65 countries around the world. The Company is poised to capture market share in the highly fragmented enterprise video market, which is expected to grow at an 11.6% continuous annual growth rate (CAGR) to $33 billion by 2027.

Sonic Foundry, Inc. was founded in 1991, incorporated in Wisconsin in March 1994 and merged into a Maryland corporation of the same name in October 1996. Our executive offices are located at 222 West Washington Ave., Madison, Wisconsin 53703 and our telephone number is (608) 443-1600. Our Sonic Foundry International B.V. ("Sonic Foundry International") (formerly Media Mission B.V.) office is located in the Netherlands, and our Mediasite K.K. ("Mediasite KK" or "MSKK") office is located in Japan. Our corporate website is www.sonicfoundry.com. In the "Investors" section of our website we make available, free of charge, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to reports required to be filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as soon as reasonably practicable after the filing of such reports with the Securities and Exchange Commission.

Our Products Address Today's Communication Challenges

With the onset of COVID-19 in early 2020, organizations of all types have been compelled to embrace a digital-first world where video adoption and utilization are at the core of every remote working and learning solution for education, communication, and collaboration. With Sonic Foundry's 30-year reputation as a leader in video technology, the Company is well-positioned to capitalize on the new fundamental needs for rapid and remote communication in a post-pandemic world as well as aligning organizations with the tech-savvy generations now in the workplace. Sonic Foundry's products and services can help customers efficiently and cost-effectively address the challenge of sharing information whenever and wherever content is consumed through our award-winning Mediasite video platform.

Mediasite Video Capture Solutions
Mediasite provides the following primary flexible hardware and software solutions to record and upload any video-based content from anywhere, automatically:

- **Mediasite Recorder and Recorder Pro:** The Recorder and Recorder Pro are built-in room appliances that use schedule-based capture and advanced audio/video integration to fully automate high-quality video and content recording in lecture halls, training rooms, simulation labs and auditoriums. The room can be scheduled to automatically record and publish to Mediasite, so instructors and speakers can focus on teaching and presenting, free from technology worries and confident that everything said and presented is being captured.
- **Mediasite Mobile Recorders:** The Mobile Recorder is a portable recording device used to capture and stream broadcast-quality video from any environment when portability is key. Designed for on-the-go webcasting, hybrid events, guest speakers and conferences, the lightweight design moves easily from location to location and can be set up and ready to record in only a few minutes.
- **Mediasite Mosaic:** Formerly known as My Mediasite, Mosaic allows instructors, employees and students to create high quality videos, screencasts and slideshows from their computers or mobile devices with just one click. From demos and video training to flipped classes, lectures and assignments, everything needed to record, upload, manage and publish personal videos is in one simple-to-use tool, requiring no pro video skills
- **Mediasite Catch:** Mediasite Catch is a video capture software solution that is scalable, reliable, and economical for classrooms not equipped with extensive audio/video capabilities. Mediasite Catch expands automation to classrooms with little to no audio/video capabilities and complements the existing Mediasite suite of content capture solutions. It can accommodate as many classrooms as needed.

As a result of COVID, many of our customers switched to remote work and teaching, and the need for traditional in-room video capture slowed. While this caused a temporary dislocation for Sonic Foundry's customary offerings, the Company's medium, and long-term opportunity for providing enhanced digital capabilities multiplied. The way we live, work and play has been permanently disrupted, ushering a new era of being connected on-demand. Sonic Foundry offers its customers an end-to-end solution that can be rapidly and efficiently deployed with its Mediasite Video Management and Delivery Solutions.

Mediasite Video Management and Delivery Solutions
Mediasite is a scalable, reliable, and secure solution to manage, search, analyze, publish, and stream video content. With Mediasite, government, businesses, and education institutions can:

- **Automatically publish video** to a learning management system (LMS), content management system (CMS), training portal or any website
- **Centrally manage** and secure any video
- **Create an enterprise or campus YouTube channel**
- **Deepen engagement** and improve learning with quizzing, annotations, comments, polls, surveys and other interactive tools
- **Analyze viewing metrics** to measure learner engagement and outcomes
- **Search everything** with fully indexed audio, video and slide content
- **Stream live and on-demand** video to any device

Mediasite On-Premises or Mediasite Cloud
Mediasite is available as either an on-premises license or as a SaaS (Software as a Service) offering within our Mediasite Cloud. Customers can conveniently host and manage all their content with Mediasite Cloud, or use it as needed for large events to divert heavy viewing traffic from their on-premises Mediasite deployment. Our co-located and high availability data centers and experienced team successfully manage customers' cloud-based video streaming in a secure, fault-tolerant environment. During 2020, the Company made an investment in a new dual redundant, high availability data center in the United Kingdom, which went online at the end of September 2020. The Company also upgraded its existing US data centers, which went online during the first calendar quarter of 2021.

COVID Accelerated the Use of Video as a Key Communications Tool by Possibly Ten Years

Even before COVID, companies were increasingly focused on becoming digital-forward enterprises. Anticipating this new market paradigm, Sonic Foundry invested in its data center infrastructure to help customers achieve their IT support objectives prior to COVID. Consequently, the Company was prepared to immediately support customer needs for handling the dramatic and rapid increase in data storage by migrating them to Mediasite Cloud. This accelerated customer adoption of Sonic Foundry's cloud strategy and generated additional cloud revenue.

Any further hardware investment required would be offset by an increase in revenue from hosting. The Company believes the significant increase in video content creation will proliferate as video conferencing systems like Zoom and Teams are used to record meetings and presentations. Between 2019-2021, Sonic Foundry developed and released an advanced integration to seamlessly automate workflow between Zoom or Teams, Mediasite, and a school's LMS. This allows all video content to be edited and managed in one secure location regardless of how it was recorded. Given the ongoing supply chain disruption, the Company believes any delays and uncertainty in hardware orders will be offset by increasing software licenses and cloud contracts.

Our Service Offerings Address the New Virtual World

Mediasite Events

Mediasite Events provides live and on-demand webcasting services for conferences, hybrid events and high-profile broadcasts, supplying turnkey streaming solutions for hundreds of events each year. Fortune 500 companies, universities, associations, sporting events and charitable organizations use Mediasite Events to capture, produce, and deliver high-quality event experiences, both in-person and virtually.

Our Mediasite Events business, both in the United States (US) and Japan, was significantly impacted by COVID. In early March 2020, all near-term, in-person events started to cancel due to concerns over the virus. While the Company's in-person pipeline for the remainder of March and April shrunk to zero, it quickly replaced in-person events with virtual events. Since late March 2020, the US team has been helping customers continue to hold high-quality events via our virtual events platform, which utilizes Mediasite technology. In-person events did not resume at a typical level in fiscal 2021 based on continued concern over virus variants. As in-person events resume, the Company is optimistic that virtual events will remain an ongoing solution for the event industry.

Mediasite Professional Services

Customers maximize their return on video with additional Mediasite Services including integration services, installation assistance, custom development, training, and monitoring services. While COVID impacted the Company's ability to do onsite services, it has been able to provide the majority of our professional services remotely, allowing the opportunity to provide uninterrupted year-round professional services support to new users and existing customers.

Mediasite Customer Care

Mediasite Customer Care plans include software upgrades for Mediasite and Mediasite capture solutions, technical support, warranty extensions and advanced replacement on hardware, as well as access to the Mediasite Community and other online resources. Nearly all our customers purchase a Customer Care plan when they purchase Mediasite or Mediasite capture solutions. Annual service contracts for Mediasite Video Cloud include a Standard Customer Care plan. COVID has not had an immediate impact on our Customer Care plans. It is, however, difficult to predict the long-term impact should the pandemic persist.

Segment Information

In accordance with the Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") 280-10, *Segment Reporting*, the Company has three operating segments; however, these segments meet the criteria for aggregation for reporting purposes as one reporting segment as of September 30, 2021.

Billings

Our services are typically billed and collected in advance of providing the service. Billings, which are a non-GAAP measure, are an important indicator of customer activity and cash flow in addition to revenue, and is therefore used by management as a key operational indicator. Billings are computed by combining revenue with the change in unearned revenue.

Our largest individual customers can be either value added resellers ("VARs") or end users in the case of large higher education institutions. No single customer represented over 10% of billings or revenue in 2021 or 2020.

Sales

We sell and market our offerings through a sales force that manages a channel of value-added resellers, system integrators, and consultants. These third-party representatives specialize in understanding both audio/video systems and IT networking. We also sold to approximately 300 resellers, and over 1,150 total end users.

Market expansion:

Historically, over two-thirds of our revenue has been realized from the education market. However, COVID escalated the rapid adoption of video as a remote work and learning solution across all industry sectors. This development represents an exciting trend that can extend Sonic Foundry's market opportunity beyond the traditional academic customer base into new verticals.

For our higher education as well as corporate, government and association clients, we anticipate economic conditions will expand market demand for more outsourced services versus licensed, on-premises sales. Over the last two years, the Company has made extensive capital and technology investments to advance its services model with turnkey event webcasting, a comprehensive cloud-based Software as a Service (SaaS) datacenter, and e-commerce capabilities that position us to diversify our customer base as well as generate more recurring revenues.

For our Mediasite Events business both in the US and Japan, we continue to see growing demand for virtual events that we believe will extend beyond COVID. These event-based communication, education and training platforms are expected to help drive the Company's corporate sales activities going forward.

While the competitive landscape has grown in the past two years, we believe our services offerings, particularly as it relates to high-touch white glove event services, give us a distinct advantage over the many virtual event platforms that have launched opportunistically since COVID. As enterprises and education institutions return to a new normal mixed audiences of in person and virtual, we are confident our experience and reputation automating and recording from mixed spaces will position us well over offerings that cater to in person only or virtual only.

Operations

We do not own or operate any manufacturing facilities. Instead we contract with a third party to build the hardware for our Mediasite Recorders and purchase quantities sufficient to fill specific customer orders, including purchases of inventory by resellers. Quantities are maintained in inventory by the third-party provider and shipped directly to the end customer or reseller. The hardware manufacturer provides a limited one-year warranty on the hardware, which is passed on to our customers who purchase a Mediasite Customer Care support and maintenance plan. While we have long standing relationships with our contract manufacturers, there are other manufacturing alternatives if needed.

Research and Development

We believe that our future success will depend on our ability to deepen our relationship with current customers and attract new customers by offering a compelling value proposition that enhances their workplace and business objectives. Accordingly, we invest a significant amount of our resources in research and development activities, with a particular focus on our SaaS offerings. During the fiscal years ended September 30, 2021 and 2020, we spent $7.2 million and $6.3 million, respectively, on internal research and development activities in our business. These amounts represent 20% in 2021 and 18% in 2020 of total revenue.

Global Expansion

In fiscal 2014, we acquired MediaMission B.V.in the Netherlands and Mediasite KK in Japan. With these acquisitions, we significantly expanded our global market reach in Europe and the Asia-Pacific Region and accelerated our commitment to enterprise video communication worldwide. The investment in maintaining a local presence in these regions has allowed us to better serve the ongoing sales and support demands of our customers and prospective customers in those markets. Additionally, we've been able to deploy customer care and cloud hosting services more quickly in each of those markets to capitalize on the trend to move data intensive applications, such as video, to the cloud.

Human Capital

At September 30, 2021 and 2020, we had 180 and 177 full-time employees, respectively. Our employees are not represented by a labor union, nor are they subject to a collective bargaining agreement.

We have a competitive compensation plan and benefits plan that is designed to attract, retain, and reward individuals and includes an employee stock purchase plan and a 401k plan with a matching contribution. Through our volunteer program, employees are granted 3 days of PTO per calendar year to volunteer and support the local and global community.

ITEM 1A. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE RISKS DESCRIBED BELOW BEFORE MAKING AN INVESTMENT DECISION. THE RISKS DESCRIBED BELOW ARE NOT THE ONLY ONES WE FACE. ADDITIONAL RISKS THAT WE ARE NOT PRESENTLY AWARE OF OR THAT WE CURRENTLY BELIEVE ARE IMMATERIAL MAY ALSO IMPAIR OUR BUSINESS OPERATIONS. OUR BUSINESS COULD BE HARMED BY ANY OR ALL OF THESE RISKS. THE TRADING PRICE OF OUR COMMON STOCK COULD DECLINE SIGNIFICANTLY DUE TO ANY OF THESE RISKS, AND YOU MAY LOSE ALL OR PART OF YOUR INVESTMENT. IN ASSESSING THESE RISKS, YOU SHOULD ALSO REFER TO THE OTHER INFORMATION CONTAINED OR INCORPORATED BY REFERENCE IN THIS ANNUAL REPORT ON FORM 10-K, INCLUDING OUR CONSOLIDATED FINANCIAL STATEMENTS AND RELATED NOTES.

On August 26, 2020, the Securities and Exchange Commission (“Commission”) announced the adoption of amendments to modernize certain disclosures registrants are required to make pursuant to Regulation S-K. The amendments are intended to reflect the Commission’s commitment to a principles-based, registrant-specific approach to disclosure, rooted in materiality. The modernization of Item 105 Risk Factor Disclosures includes the following:

- The requirement for inclusion of a summary risk factor disclosure of no more than two pages if the risk factor section exceeds 15 pages.
- Refining the principles-based approach by requiring disclosure of “material” risk factors versus “most significant.”
- The requirement to organize risk factors under relevant headings for ease of understanding, with generic risk factors placed at the end of the section. The amendments do not specify the risk factor headings.

The Company has reviewed its current risk factors and will organize them under the primary categories of company risk, industry risk, and investor risk.

Risk Factor Summary Disclosure

A. **Company Risks** consist of both internal and external items and events that impact Sonic Foundry as a company. These are further categorized as follows:

   1. **Financial Risks** impact the financial well-being of the Company. Those risks include, but are not limited to the following:
      a. We have a history of losses.
      b. We may need to raise additional capital.
      c. If customer adoption has barriers, our business may not succeed.
      d. Large, multi-unit deals are needed for continued success.
      e. Because most of our service contracts are renewable on an annual basis, a reduction in our service renewal rate could significantly reduce our revenues.
      f. If we are viewed only as a commodity supplier, our margins and valuations will shrink.
      g. Our operating results are hard to predict as a significant amount of our sales typically occur at the end of a quarter, and the mix of product and service orders may vary significantly.
      h. Accounting regulations and related interpretations and policies, particularly those related to revenue recognition, cause us to defer revenue recognition into future periods for all or portions of our products and services.
      i. Because we generally recognize revenues ratably over the term of our service contracts, a decrease or increase in service transactions will not be fully reflected in our operating results until future periods.
      j. Currency exchange rate fluctuations could result in higher costs and decreased margins and earnings.
      k. Our ability to utilize our net operating loss carryforwards may be limited.

   2. **Operational Risks** disrupt fundamental daily operations of the Company. Those risks include, but are not limited to the following:
      a. Operational failures in our network infrastructure could disrupt our remote hosting services, cause us to lose clients and sales to potential clients and result in increased expenses and reduced revenues.
      b. Our business is susceptible to risks associated with international operations.

   c. Supporting our existing and growing customer base and implementing large customer deployments could strain our personnel resources and infrastructure, and if we are unable to scale our operations and increase productivity, customer satisfaction and our business will be harmed.
   d. If we lose key personnel or fail to integrate replacement personnel successfully, our ability to manage our business could be impaired.
   e. Manufacturing disruption or capacity constraints would harm our business.

3. **Strategic Risks** prevent the Company from achieving its strategic objectives. Those risks include, but are not limited to the following:
   a. The technology underlying our products and services is complex and may contain unknown defects that could harm our reputation, result in product liability or decrease market acceptance of our products.
   b. Our success depends upon the proprietary aspects of our technology.
   c. We may not be able to innovate to meet the needs of our target market.
   d. If potential customers or competitors use open source software to develop products that are competitive with our products and services, we may face decreased demand and pressure to reduce the prices for our products.
   e. We also rely upon trademark, copyright and trade secret laws, which may not be sufficient to protect our intellectual property.
   f. If other parties bring infringement or other claims against us, we may incur significant costs or lose customers.
   g. There is a great deal of competition in the market for our products, which could lower the demand for our products and have a negative impact on our operations.
   h. If our marketing and lead generation efforts are not successful, our business will be harmed.
   i. The length of our sales and deployment cycles are uncertain, which may cause our revenue and operating results to vary significantly from quarter to quarter and year to year.
   j. We depend in part on the success of our relationships with third-party resellers and integrators.
   k. We may need to make acquisitions or form strategic alliances or partnerships in order to remain competitive in our market, and acquisitions, strategic alliances or partnerships, could be difficult to integrate, disrupt our business and dilute stockholder value.
   l. Our Mediasite events and cloud businesses are an area of emphasis for us and carry challenging delivery requirements. The cloud offering requires significant investment in infrastructure, willingness of our customers to move from on-premise installations to our cloud and carry increased cyber and privacy risks. Our events business has been very successful in pivoting from in-person to virtual events as a result of COVID but future growth relies on a greater willingness of companies to hold events, both virtual and in-person.
   m. Our fiscal 2022 business plan includes an expectation that we begin to develop and introduce new product and service offerings in areas where we can leverage our product development skills, understanding of video technologies and strength in the higher education vertical. These offerings will likely take significant investment in key engineering, sales and management resources with little, if any, impact on fiscal 2022 revenue.
4. **Compliance Risks** result from non-compliance of laws and regulations from various governing bodies. Those risks include, but are not limited to the following:
   a. Our customers may use our products to share confidential and sensitive information, and if our system security is breached, our reputation could be harmed and we may lose customers.
   b. Our business is subject to changing regulations regarding corporate governance and public disclosure that will increase both our costs and the risk of noncompliance.

5. **Industry Risks** are items and events that have macro-level impacts on our industry. Those risks include, but are not limited to the following:
   a. Economic conditions could materially adversely affect the Company.
   b. Economic conditions may have a disproportionate effect on the sale of our products and services.
   c. We could lose revenues if there are changes in the spending policies or budget priorities for government funding of colleges, universities, schools and other education providers.
   d. Changes in U.S. trade policy, including the imposition of tariffs and the resulting consequences, may have a material adverse impact on our business, operating results and financial condition.
   e. Privacy concerns and laws, evolving regulation of cloud computing, cross-border data transfer restrictions and other domestic or foreign regulations may limit the use and adoption of our solutions and adversely affect our business.

f. We face risks associated with government regulation of the internet and related legal uncertainties.

g. COVID has negatively impacted interest and ability to hold in-person events and while virtual events are often held in place of in-person events, some companies and attendees are less likely to hold or attend virtual events.

6. **Investor Risks** are both internal and external risks that impact an investment made in the Company's stock. Those risks include, but are not limited to the following:
   a. The market price of our common stock may be subject to volatility.
   b. Our common stock is subject to low trading volume and broad price swings.
   c. Exercise of outstanding options and warrants will result in further dilution.
   d. Provisions of our charter documents, and Maryland law, could also discourage an acquisition of our Company that would benefit our stockholders and, due to our insiders control of a substantial percentage of our stock, our officers, directors, and major stockholders will have a substantial amount of control over whether to approve or disapprove of a transaction.

Following is a more detailed discussion of each risk factor outlined in the summary.

Company Risks – Financial

We have a history of losses.
Although we achieved positive net income in the current year, our operations have generated losses in most other years. Similarly, while we were able to grow revenue in the current year above $35 million for the first time since fiscal 2017, we still need to generate greater growth in order to be successful. While we continue to invest in our events and cloud businesses which we believe have greater opportunities for growth and are identifying and vetting additional revenue streams with greater likelihood for growth, we may not realize sufficient revenues to achieve success in these areas. We initiated a plan for reducing costs in fiscal 2019 that began with eliminating certain headcount and functions, including a reduction in senior executive positions. In 2020, we continued that focus on cost reduction and also executed on an executive leadership change in the fourth quarter of 2020. In that same quarter, we eliminated three additional mid to senior level sales and marketing positions, and in the first quarter of 2021, eliminated additional headcount, primarily within sales and marketing that were not aligned with our strategy for growth. To achieve future growth and increases to profitability, we have begun to hire for certain targeted positions and will likely need to invest more significantly in certain aspects of our business model, including adding additional headcount in strategic areas. As such, we face risks, expenses and uncertainties related to our specific business model, as well as those typically encountered by similar companies. Those risks include, but are not limited to our ability to successfully achieve the following:

- Manage the growth and profitability of our business, including known and unknown challenges and expenses;
- Acquire new customers and retain and expand existing customers;
- Develop new and complimentary price competitive product and service offerings, both internally and in partnership with third parties;
- Maintain and develop relationships with strategic partners including dealers, A/V integrators, large institutional end-users, and other channel partners;
- Compete successfully with companies offering similar products and services;
- Develop targeted marketing efforts to expand our reach into new markets and deepen penetration into existing markets;
- Manage and scale a high-performance technology infrastructure;
- Ensure a highly secure and reliable product platform;
- Attract and retain highly skilled personnel to execute in a fast-paced, rapidly changing environment;
- Navigate the ongoing evolution of changing regulatory requirements, such as privacy laws and tax laws, and how it impacts our business, including our products and services; and
- Expand our competitive reach into international markets.

We have experienced some of these risks already and will continue to encounter them as the business evolves. Failure to successfully manage them could adversely affect our financial condition and results of operations.

We may need to raise additional capital.
At September 30, 2021, we had cash of $10.0 million, $3.8 million of which was in our foreign operations compared to total cash of $7.6 million and foreign operations cash of $2.3 million at September 30, 2020. We have a new revolving credit facility which requires compliance with certain covenants, and while it provides for a maximum debt outstanding of $3.0 million, it must be

supported by certain collateral. At September 30, 2021 the collateral supported the maximum $3.0 million and no amounts were outstanding. There can be no assurances the line of credit will be available to support any financing needs beyond our available cash and cash generated from operations, and, there can be no assurances that other sources of financing will be available, or if available, on acceptable terms. The Company has a history of losses and has historically financed its operations primarily through cash from sales of equity or debt securities, and to a limited extent, cash from operations and through credit facilities. The Company was able to grow fiscal 2021 revenue over fiscal 2020 and maintained fiscal 2020 revenue consistent with fiscal 2019, despite the impacts of COVID-19, while reducing operating expenses to the lowest level since fiscal 2013. We cannot ensure that revenue will continue to grow, even with strategic investment of resources in business lines where we believe there is a greater opportunity for growth. If revenue is determined to be growing at a rate less than anticipated and expenses are not sufficiently matched, our cash resources may not be sufficient to support working capital needs, and we may have to attempt to borrow additional funds from our line of credit, other debt providers or attempt to raise equity capital. In addition, our financial condition may, in the future, cause us to be in non-compliance with certain provisions of our debt facilities or new facilities we may establish in the future.

In the event we need to borrow additional money or raise additional equity capital, we may not be able to do so on acceptable terms and conditions including discounts from market, warrants, convertible securities or preferred stock. In that event, we may seek to raise money from entities that are affiliated with the Company, as we have done in the past. The Company has had to rely on its Chairman, Mark Burish, ("Mr. Burish") to provide capital on terms reasonable and acceptable to the independent members of the Board of Directors. There is no assurance, however, that Mr. Burish, or any other affiliated party, will be willing to provide additional capital.

As a result of the non-cash goodwill and other intangible assets impairment charges recorded in fiscal 2018, the Company was no longer able to satisfy the NASDAQ requirement to maintain $2.5 million of stockholders' equity and voluntarily transferred to the OTCQB on December 18, 2018. Subsequently the Company transferred its listing to the OTC Pink Sheets on February 18, 2019, a market with limited trading. With an improved balance sheet, the Company applied for listing on the Nasdaq Capital Market in March 2021. While the Company believes it meets all the requirements for initial listing on NASDAQ, there can be no assurance we are approved by NASDAQ for listing, nor that we will be able to maintain a listing on the Nasdaq Capital Market. If the Company is unable to list on NASDAQ, our ability to raise equity capital may be adversely affected.

In the event we have a need to borrow money, we may incur significant interest charges, or fees, which could harm our profitability. Holders of debt would also have rights, preferences or privileges senior to those of existing holders of our common stock. In the event we are able to raise additional equity, the terms of such financing may dilute the ownership interests of current investors and cause our stock price to fall significantly. In the event additional capital is provided by executive officers or directors, then, due to the low price levels of our common stock, control by such executive officers or directors may substantially increase.

We may not be able to secure debt or equity financing upon acceptable terms, if at all. If we cannot raise funds on acceptable terms, our business, operating results, and financial condition could be negatively impacted. The Company believes its cash position is adequate to accomplish its business plan through at least the next twelve months.

If the funds held by our foreign subsidiaries are needed for our operations in the United States, the repatriation of some of these funds to the United States could require payment of additional U.S. taxes.

If customer adoption has barriers, our business may not succeed.
Part of our strategic challenge is to convince enterprise customers of the stability, productivity, improved communications, cost savings, suitability and other benefits of our products. The market for content delivery solutions is very complex, includes many products and solutions that address various aspects of customer needs and as a result it is often difficult for customers and channel partners to understand how our products and services compare. Further, corporate customers may use video as a tool, but may choose to rely upon their own IT infrastructure and resources to manage their video content. Because many companies generally are predisposed to maintaining control of their IT systems and infrastructure, there may be resistance to using software as a service provided by a third party. Our future revenue and revenue growth rates will depend in large part on our success in delivering these products effectively, creating market acceptance for these products in existing markets that we sell into and in new markets, and meeting customer’s needs for new or enhanced products. If we fail to do so, our products will not achieve widespread market acceptance, or will no longer be used by our customers, and we may not generate sufficient revenue to offset our product development and selling and marketing costs, which will adversely impact the valuation of the Company, the price of our stock, and will harm our business.

Large, multi-unit deals are needed for continued success.
We need to sell multiple units or large software and service solutions to educational, corporate and government institutions in order to sell most efficiently and become profitable. Sales of large solutions to corporate customers have lagged behind results achieved in the higher education market; consequently, we have allocated more resources to the higher education market. While we have addressed a strategy to leverage existing customers, better address the needs of potential new customers, and close multiple unit and large software and service transactions, a customer may choose not to make expected purchases of our products. Despite our strategy to focus on a customer base with a recurring need to purchase our products and services, we need to identify and sell more products and services to new customers, enter new markets and reduce the rate of attrition from certain existing customers, typically those with smaller deployments. The failure to develop effective strategies to enter new markets, and increase sales will adversely impact the valuation of the Company and the price of our stock, and will harm our business.

Because most of our service contracts are renewable on an annual basis, a reduction in our service renewal rate could significantly reduce our revenues.
Our clients have no obligation to renew their content hosting agreements, customer support contracts or other annual service contracts after the expiration of the initial period, which is typically one year, and some clients have elected not to do so. A decline in renewal rates could cause our revenues to decline. Our renewal rates may decline or fluctuate as a result of a number of factors, including client dissatisfaction with our products and services, our slow response to customer technical inquiries, our failure to update our products to maintain their attractiveness in the market, deteriorating economic conditions or budgetary constraints or changes in budget priorities faced by our clients. If our retention rates decrease, we may need to provide more incentives, reduce pricing or increase marketing costs to improve lead generation through marketing in order to increase revenues, all of which could reduce profitability.

If we are viewed only as a commodity supplier, our margins and valuations will shrink.
We need to provide value-added services in order to avoid being viewed as a commodity supplier, which could adversely impact the valuation of the Company, and the price of our stock. This entails building long-term customer relationships and developing features that will distinguish our products. Our technology is complex and is often confused with other products and technologies in the market place, including video conferencing, streaming and collaboration.

We have developed lower cost hardware, software products and cloud solutions to better address the more cost-conscious customers. Such products have more limited features compared to our existing products. While we believe we can preserve the market for our full-featured products due to differentiation between the two and migration to full featured products, release of lower cost products has and could continue to reduce gross margins and demand for products sold at higher prices, which could adversely affect our business and operating results. Potential large-scale deployments of our products often include the lower cost products we sell, putting greater pressure on gross margin due to expectations for greater volume discounts.

Our events business is currently pursuing a greater percentage of virtual events than in the past. Some attendees and companies are less likely to attend virtual events which could negatively impact the number of events held.

If we fail to build long-term customer relationships, develop features that distinguish our products in the marketplace and address the market for lower function and cost solutions, our margins will shrink, and our stock may be adversely impacted.

Our operating results are hard to predict as a significant amount of our sales typically occur at the end of a quarter and the mix of product and service orders may vary significantly.
Revenue for any particular quarter is extremely difficult to predict with any degree of certainty. We typically ship products within a short time after we receive an order and therefore, we do not have an order backlog with which to estimate future revenue. Any decline or uncertainty in end-user demand could negatively impact end-user orders. Accordingly, our expectations for both short and long-term future revenue is based almost exclusively on our own estimate of future demand based on history and the pipeline of sales opportunities we manage, rather than on firm orders. The mix of product demand varies significantly from quarter to quarter, further complicating our estimated product needs. Our expense and inventory levels are based largely on these estimates. In addition, our events business is particularly unpredictable and subject to variation due to the short time-frame between when we learn of an opportunity and when the event occurs. Further, the majority of our product orders are received in the last month of a quarter; thus, the unpredictability of the receipt of these orders could negatively impact our future results. Accordingly, any significant shortfall in demand for our products or services in relation to our expectations, even if the result was a short-term delay in orders, would have an adverse impact on our operating results.

We have experienced growing demand for our hosting and event services as well as a growing preference from our customers in purchasing our annually licensed software. As a result, we have seen an increase in service billings and recurring revenue as a percentage of total billings, and a decrease in hardware billings. We expect this trend to continue, which we expect to help improve predictability of revenue and gross margins but will delay the impact on revenue of any increase or decrease in billings during any particular quarter. We subcontract for some services required by our events customers, such as onsite management labor and closed captioning. We typically charge for such services at a lower margin than other services. The percentage of billings represented by services, provided either directly or indirectly, is also likely to fluctuate from quarter to quarter due to seasonality of event services and other factors. Since content hosting and support services are typically billed in advance of providing the service, revenue is initially deferred, leading to reduced current period revenue with a corresponding negative impact to profits or losses in periods of significant increase in the percentage of our billings for deferred services.

Accounting regulations and related interpretations and policies, particularly those related to revenue recognition, cause us to defer revenue recognition into future periods for all or portions of our products and services.
Revenue recognition for our products and services is complex and subject to multiple sources of authoritative guidance, some of which are new, as well as, varied interpretations and implementation practices for such rules. These rules require us to apply judgment in determining revenue recognition. In certain situations, we may have to defer the entire amount of revenue from a transaction, even when the product has already shipped. This may occur when the customer has delayed payment on the transaction, or in certain other circumstances, such as when we agree to extend payment terms on other invoices from such customer. In addition, we always defer revenue when services are included in a transaction, and not performed. Other factors that are considered in revenue recognition include those such as standalone selling price (SSP), best estimate of selling price and the inclusion of other services and contingencies to payment terms. We expect that we will continue to defer portions or, in certain circumstances with respect to a particular customer, all of our product or service billings because of these factors, and to the extent that management's judgment is incorrect it could result in an increase in the amount of revenue deferred in any one period. The amounts deferred may be significant and may vary from quarter to quarter depending on, among other factors, compliance with payment terms, the mix of products sold, combination of products and services sold together or contractual terms.

Additional changes in authoritative guidance, including the interpretation of "Revenue from Contracts with Customers (Topic 606)", or changes in practice in applying such rules could also cause us to defer the recognition of revenue to future periods or recognize lower revenue. See Note 1 - Accounting Policies of the Notes to Financial Statements (Part II, Item 8 of this Form 10-K) for further discussion.

Because we generally recognize revenues ratably over the term of our service contracts, decrease or increase in service transactions will not be fully reflected in our operating results until future periods.
We recognize most of our revenues from service contracts monthly over the terms of their agreements, which are typically 12 months, although terms have ranged from less than one month to 48 months. As a result, much of the service revenue we report in each quarter is attributable to agreements entered into during previous quarters. Consequently, a decline in sales, client renewals or market acceptance of our products in any one quarter will not necessarily be fully reflected in the revenues in that quarter and will negatively affect our revenues and profitability in future quarters. This ratable revenue recognition also makes it difficult for us to rapidly increase our revenues through additional sales in any period, as revenues from new clients must be recognized over the applicable agreement term.

Currency exchange rate fluctuations could result in higher costs and decreased margins and earnings.
The functional currency of our foreign subsidiaries in the Netherlands is the Euro and in Japan is the Japanese Yen. They are subject to foreign currency exchange rate risk. The conversion rate of the Yen to the US Dollar varied from about 102 to approximately 114 during fiscal 2021. Similarly, the Euro varied from about 0.81 to approximately 0.86 to the US Dollar during fiscal 2021. The strength of the dollar impacts our ability to export profitably to other countries and will likely continue to fluctuate. Any increase in the exchange rate of the US Dollar compared to the Euro or the Japanese Yen will impact our future operating results and financial position.

Our ability to utilize our net operating loss carryforwards may be limited.
The use of our net operating loss carryforwards may have limitations resulting from certain future ownership changes or other factors under the Internal Revenue Code and other taxing authorities. The Tax Cuts and Jobs Act of 2017 changed both the federal deferred tax value of the net operating loss carryforwards and the rules of utilization of federal net operating loss carryforwards. The Tax Cuts and Jobs Act of 2017 lowered the corporate tax rate from 35% to 21% effective for our 2018 fiscal year. For net operating loss carryforwards generated in years prior to 2018, there is no annual limitation on the utilization and the carryforward period remains at 20 years. There could be a limitation if a change in ownership occurs. However, net operating loss carryforwards generated in years after 2017 will only be available to offset 80% of future taxable income in any single year, but will not expire.

If our net operating loss carryforwards are limited, and we have taxable income which exceeds the available net operating loss carryforwards for that period, we would incur an income tax liability even though net operating loss carryforwards may be available in future years prior to their expiration. Any such income tax liability may adversely affect our future cash flow, financial position and financial results.

Company Risks – Operational

Operational failures in our network infrastructure could disrupt our remote hosting services, cause us to lose clients and sales to potential clients and result in increased expenses and reduced revenues.
Unanticipated problems affecting our network systems could cause interruptions or delays in the delivery of the hosting services we provide to some of our clients. We are not equipped to provide full disaster recovery to all of our hosted clients. If there are operational failures in our network infrastructure that cause interruptions, slower response times, loss of data or extended loss of service for our remotely hosted clients, we may be required to issue credits or pay penalties, current clients may terminate their contracts or elect not to renew them and we may lose sales to potential clients. We have recently acquired additional hardware and systems, expect to make more significant investments in hardware and outsourced most aspects of our network infrastructure to multiple providers. We also rely on Internet systems and infrastructure to operate our business and provide our services. As a result, we are reliant on third parties for network availability, so outages may be outside our control and we may need to acquire additional hardware in order to provide an appropriate level of redundancy required by our customers. These hardware, data, and cloud computing platforms may not be available at reasonable terms or prices.

Our business is susceptible to risks associated with international operations.
International product and service billings were 36% of our total billings in each of the past two years and are expected to continue to account for a significant portion of our business in the future. International sales are subject to a variety of risks, including:

- Difficulties in establishing and managing international subsidiaries, distribution channels and operations;
- Difficulties in selling, servicing and supporting overseas products, translating products into foreign languages and compliance with local hardware requirements;
- Restrictions related to COVID on traveling to support our international customers
- Difficulties in managing the demands of large international deployments, many of which distract key sales personnel from opportunities in other parts of the world;
- Challenges associated with management transition;
- Challenges related to language or cultural differences;
- The uncertainty of laws and enforcement in certain countries, such as China, relating to the protection of intellectual property or requirements for product certification, protection of personal data or other restrictions;
- Competitive pressure impacting other parts of the world;
- Multiple and possibly overlapping tax structures;
- Currency and exchange rate fluctuations and imposition of tariffs or quotas;
- Difficulties in collecting accounts receivable in foreign countries, including complexities in documenting letters of credit;
- Economic or political changes in international markets;
- Restrictions on access to the Internet; and
- Difficulty in complying with international employment related requirements

Supporting our existing and growing customer base and implementing large customer deployments could strain our personnel resources and infrastructure, and if we are unable to scale our operations and increase productivity, customer satisfaction and our business will be harmed.
Frequent enhancements to our software put pressure on our customers to install, maintain and train their personnel on its use. Further, frequent releases of the software can lead to less product stability. As a result, our customer care and engineering resources have come under, and are expected in the future to come under significant pressure in providing the high-quality of technical support our customers expect during periods of high demand. We may be unable to respond quickly enough to accommodate short-term increases in customer demand for support services. Increased customer demand for these services, without corresponding revenues, could increase costs and adversely affect our operating results. In addition, our sales process is highly dependent on our applications and business reputation and on positive recommendations from our existing customers. Any failure to maintain high-quality technical support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation, our ability to sell our products and services to existing and prospective customers, and our business, operating results and financial position.

As we target more of our sales efforts at larger initial transactions, we face increasingly complex deployments requiring substantial technical and management resources, including in some cases significant product customization and integration with other applications or hardware. Customers making large expenditures for our products and services typically have higher expectations of product and service operability and response time if issues arise. Some of these customers have asked us to host their content and have significant amounts of legacy content to transfer to our datacenter. Such increased activity and storage demand on our data centers put additional strain on our personnel and hosting infrastructure. Our hosting customers typically require a high level of access, data security and need to capture and store multiple high definition streams. Such requirements require costly enhancements to our infrastructure. If we do not accurately plan for our infrastructure capacity requirements and we experience significant strains on our data center capacity, our customers could experience performance degradation or service outages that may subject us to financial penalties, result in customer losses and harm our business. As we add or change data centers or capacity, we may move or transfer our data and our customers' data. Despite precautions taken during this process, any unsuccessful data transfers may impair the delivery of our services, which may damage our business. High demand on technical and management resources to manage large transactions distract personnel from existing customers, development of new products and other important activities which could lead to potential customer dissatisfaction, product development delays or other issues associated with the distraction.

If a customer is not satisfied with the quality of work performed by us or a third party in performing our events services, we could incur additional costs to address the situation and delay recognition of revenue, the profitability of that work might be impaired, and the customer's dissatisfaction with our services could damage our ability to obtain additional work from that customer. We could face equipment or Internet connection failure outside our control but could regardless result in the customer being dissatisfied with our performance. In addition, negative publicity related to our customer relationships, regardless of its accuracy, may further damage our business by affecting our ability to compete for new business with current and prospective customers.

If we lose key personnel or fail to integrate replacement personnel successfully, our ability to manage our business could be impaired.

Our future success depends upon the continued service of our key management, technical, sales and other critical personnel, including our Chief Executive Officer. Most of our officers and other key personnel are employees-at-will, and we cannot assure that we will be able to retain them. Key personnel have left our Company in the past, sometimes to accept employment with companies that sell similar products or services to existing or potential customers of ours. The technology industry is subject to substantial and continuous competition for engineers with high levels of experience in designing, developing and managing software and Internet-related services, as well as competition for sales and operations personnel. There will likely be additional departures of key personnel from time to time in the future and such departures could result in additional competition, loss of customers or confusion in the marketplace. As we seek to replace such departures, or expand our business, the hiring of qualified sales, technical and support personnel is difficult due to the limited number of qualified professionals. Training of new sales, technical and support personnel can take six months or longer before they become productive. Sales and technical strategies have changed and will likely change further in the future and require different skills to sell to different customer types and develop new and changing products. The loss of any key employee could result in significant disruptions to our operations, including adversely affecting the timeliness of product releases, the successful implementation and completion of Company initiatives and the results of our operations. In addition, we do not have life insurance policies on any of our key employees. If we lose the services of any of our key employees, the integration of replacement personnel could be time consuming, may cause disruptions to our operations and may be unsuccessful.

Manufacturing disruption or capacity constraints would harm our business.

We subcontract the manufacturing of our recorders to a third-party contract manufacturer. Although we believe there are multiple sources of supply from other contract manufacturers, as well as, multiple suppliers of component parts required by our contract manufacturer, there is currently a global shortage of most component parts. Inability to get parts or completed systems required to satisfy customer demand would have a material negative impact on our revenues. Likewise, we are susceptible to any material change in terms; such as pricing, level of services performed or changes to payment terms by our contract manufacturer. In particular, the cost of our products increased this year as a result of increased tariffs, an imbalance between supply and demand, inflation and challenges finding sources of distribution. Many component parts currently have long delivery lead times or cease production of certain components with limited notice in which to evaluate or obtain alternate supply, requiring conservative estimation of production requirements. Lengthening lead times, product design changes and other third-party manufacturing disruptions have caused delays in delivery in the past and will likely continue to occur. In order to compensate for supply delays, we have sourced components from increased order lead-time from approximately three months to fifteen months, shopped other off-shore locations, used cross component parts, paid significantly higher prices or premium fees to expedite delivery for short supply components, produced alternate versions and converted inventory from one version to another. We have typically maintained greater amounts of inventory as insurance against delays but currently hold substantially lower quantities of inventory as a result of delays in several components required in the production of our recorders. Our inventory levels at September 30, 2021 were $442 thousand compared to $1.2 million at September 30, 2020. Many of these strategies have increased our costs or require substantial resources to maintain and may not be sufficient to ensure against a product shortage. We depend on our subcontract manufacturer to produce our products efficiently while maintaining high levels of quality despite frequent changes in configuration and scheduling imposed by us. Any manufacturing or component defects, delay in production or changes in product features will likely cause customer dissatisfaction and may harm our reputation. Moreover, any incapacitation of the manufacturing site due to destruction, natural disaster or similar events could result in a loss of product inventory. As a result of any of the foregoing, we may not be able to meet demand for our products, which could negatively affect revenues in the quarter of the disruption or longer depending upon the magnitude of the event, and could harm our reputation.

We license technology from third parties. If we are unable to maintain these licenses, our operations and financial condition may be negatively impacted.
We license technology from third parties. The loss of, our inability to maintain, or changes in material terms of these licenses could result in increased cost or delayed sales of our software, and services, or may cause us to remove features from our products or services. We anticipate that we will continue to license technology from third parties in the future. This technology may not continue to be available on commercially reasonable terms, if at all. Although we do not believe that we are substantially dependent on any individual licensed technology, some of the component technologies that we license from third parties could be difficult for us to replace. The impairment of these third-party relationships, especially if this impairment were to occur in unison, could result in delays in the delivery of our software and services until equivalent technology, if available, is identified, licensed and integrated. This delay could adversely affect our operating results and financial condition.

Company Risks – Strategic

The technology underlying our products and services is complex and may contain unknown defects that could harm our reputation, result in product liability or decrease market acceptance of our products.
The technology underlying our products and services is complex and includes software that is internally developed, software licensed from third parties and hardware purchased from third parties. These products have, and will in the future, contain errors or defects, particularly when first introduced or when new versions or enhancements are released. We may not discover defects that affect our current or new applications or enhancements until after they are sold, and our insurance coverage may not be sufficient to cover our exposure. Further, there are third-party applications our products and services are dependent on, or integrate with, such as operating systems and learning management systems. These integrations require specialized knowledge that is difficult and expensive to maintain. Failure to maintain compatibility with such applications or identification of defects in our products and services could:

- Damage our reputation;
- Cause our customers to initiate product liability suits against us;
- Increase our product development resources;
- Cause customers to cancel orders, ask for partial refunds or potential customers to purchase competitive products or services;
- Delay release or market acceptance of our products, or otherwise adversely impact our relationships with our customers; and/or
- Cause us to allocate valuable engineering resources to fix our existing products, which may cause us to allocate fewer resources toward developing new products, or toward adding features to our existing products.

Our success depends upon the proprietary aspects of our technology.
Our success and ability to compete depend to a significant degree upon the protection of our proprietary technology. We currently have three U.S. patents that have been issued to us. We may seek additional patents in the future. However, it is possible that:

- Any patents acquired by or issued to us may not be broad enough to protect us.
- Any issued patent could be successfully challenged by one or more third parties, which could result in our loss of the right to prevent others from exploiting the inventions claimed in those patents.
- Current and future competitors may independently develop similar technology, duplicate our services or design around any of our patents.
- Effective patent protection, including effective legal-enforcement mechanisms against those who violate our patent-related assets, may not be available in every country in which we do or plan to do business.
- We may not have the resources to enforce our patents or may determine the potential benefits are not worth the cost and risk of ultimately being unsuccessful.

We may not be able to innovate to meet the needs of our target markets.
Our future success will continue to depend upon our ability to create an effective product development strategy, to develop new products, product enhancements and service offerings that address future and rapidly changing needs of our existing target markets and enable us to expand the market for our products and service offerings. Our success is also dependent upon our ability to respond to changing standards and practices on a timely basis, particularly as customers move away from hardware to software solutions. The success of new strategies, products, product enhancements and service offerings depend on several factors, including timely completion, quality and stability, and market acceptance. Our fiscal 2022 business plan includes an expectation that we begin to develop and introduce new product and service offerings in areas where we can leverage our product development skills, understanding of video technologies and strength in the higher education vertical. These offerings will likely take significant investment in key engineering, sales and management resources with little, if any, impact on fiscal 2022 revenue. While the Company believes that investment in areas where it believes there is a much greater opportunity for growth will yield significant revenue improvement in future years, there can be no assurance we will be successful due to market acceptance, correct identification of opportunity markets, speed to market, unknown competitors, stability of educational and learning needs and other relevant new product development risks.

Our revenue could be adversely impacted if we do not capitalize on opportunities to develop innovative new products, product enhancements and service offerings that will increase the likelihood that our products and services will be accepted in preference to the products and services of our current and future competitors. Some of our prospective customers may delay the purchase of our products or services until certain features are completed, may require custom development of certain features as part of the purchase decision, or may condition additional payments tied to completion of such features. Prioritizing such custom features can be difficult to adapt to other customers and distracts our engineering team from implementing features required by other customers.

If potential customers or competitors use open source software to develop products that are competitive with our products and services, we may face decreased demand and pressure to reduce the prices for our products.
The growing acceptance and prevalence of open source software may make it easier for competitors or potential competitors to develop software applications that compete with our products, or for customers and potential customers to internally develop software applications that they would otherwise have licensed from us. One of the aspects of open source software is that it can be modified or used to develop new software that competes with proprietary software applications, such as ours. Such competition can develop without the degree of overhead and lead time required by traditional proprietary software companies. As open source offerings become more prevalent, customers may defer or forego purchases of our products, which could reduce our sales and lengthen the sales cycle for our products or result in the loss of current customers to open source solutions. If we are unable to differentiate our products from competitive products based on open source software, demand for our products and services may decline, and we may face pressure to reduce the prices of our products, which would hurt our profitability. If our use of open-source is challenged and construes unfavorably, our operating results could be adversely impacted.

We use open source software in our application suite. Although we monitor our use of open source software closely, the terms of many open source licenses have not been interpreted by United States courts, and there is risk that such licenses could be construed in a manner that imposes unanticipated conditions or restrictions on our ability to commercialize our products. In such event, we could be required to re-engineer our technology or to discontinue offering all or a portion of our products in the event re-engineering cannot be accomplished on a timely basis, any of which could adversely affect our business, operating results and financial condition.

We also rely upon trademark, copyright and trade secret laws, which may not be sufficient to protect our intellectual property.
We also rely on a combination of laws, such as copyright, trademark and trade secret laws and contractual restrictions, such as confidentiality agreements and licenses, to establish and protect our technology. We have registered three U.S. and four foreign country trademarks. These forms of intellectual property protection are critically important to our ability to establish and maintain our competitive position. However, it is possible that:

- Third parties may infringe or misappropriate our copyrights, trademarks and similar proprietary rights.
- Laws and contractual restrictions may not be sufficient to prevent misappropriation of our technology or to deter others from developing similar technologies, particularly in foreign countries where the laws may not protect our proprietary rights as fully or as readily as Unites States laws.
- There have been attacks on certain patent systems, increasing the likelihood of changes to established laws, including in the United States. We cannot predict the long-term effects of any potential changes, which could be detrimental to our licensing program.

- Effective trademark, copyright and trade secret protection, including effective legal-enforcement mechanisms against those who violate our trademark, copyright or trade secret assets, may be cost prohibitive or unavailable or limited in foreign countries.
- Contractual agreements may not provide meaningful protection for our trade secrets, know-how or other proprietary information in the event of any unauthorized use, misappropriation or disclosure of such trade secrets, know-how or other proprietary information.
- Other companies may claim common law trademark rights based upon state or foreign laws that precede the federal registration of our marks.
- Policing unauthorized use of our services and trademarks is difficult, expensive and time-consuming, and we may be unable to determine the extent of any unauthorized use.
- Reverse engineering, unauthorized copying or other misappropriation of our proprietary technology could enable third parties to benefit from our technology without paying us for it, which would significantly harm our business.

If other parties bring infringement or other claims against us, we may incur significant costs or lose customers.
Other companies may obtain patents or other proprietary rights that would limit our ability to conduct our business and could assert that our technologies infringe their proprietary rights. We have incurred substantial costs to defend against such claims in the past and could incur legal costs in the future, even if without merit, and intellectual property litigation could force us to cease using key technology, obtain a license or redesign our products. In the course of our business, we may sell certain systems to our customers, and in connection with such sale, we may agree to indemnify these customers from claims made against them by third parties for patent infringement related to these systems, which could harm our business.

There is a great deal of competition in the market for our product and services, which could lower the demand for our offerings and have a negative impact on our operations.
The market for our products and services is intensely competitive, dynamic and subject to rapid technological change. The intensity of the competition and the pace of change are expected to increase in the future, and likely will require the Company to compete on price and our offerings more than in the past, which could adversely affect our business and operating results. Increased competition has reduced gross margins, has resulted in new customer losses and may result in loss of market share, any one of which could seriously harm our business. Competitors vary in size and in the scope and breadth of the products and services offered, many of which have greater financial resources, greater name recognition, more employees and greater financial, technical, marketing, public relations and distribution resources than we have. In addition, new competitors with greater financial resources may arise through partnerships, distribution agreements, mergers, acquisitions or other types of transactions at any time. In particular, large companies have begun to make investments in and/or partner with smaller companies to enter the lecture capture and video management markets.

Various vendors provide lecture capture, enterprise webcasting or video content management capabilities, but few offer an end-to-end solution that addresses all phases of the video content lifecycle (capture, delivery, transformation and management) in a single platform like Mediasite.

Lecture capture solutions designed specifically for higher education differ in their technology approach.

- Appliance- or room-based lecture capture provides a fully integrated system with complete recording automation for live or on-demand content. The automated, pre-scheduled workflow results in the greatest faculty and staff adoption and largest volumes of recorded content in the shortest amount of time.
- Software-based lecture capture that resides on a podium or computer in the classroom also captures and publishes rich media content, but relies on campus- or user-supplied hardware.
- Desktop capture tools reside on individual users' laptops or computers allowing them to record user-generated content.

Few lecture capture vendors offer a mix of all lecture capture approaches to best suit customers' needs. Most vendors, including Extron and Panopto, support only one approach to lecture capture. Likewise, a very small number of vendors provide an integrated platform like Mediasite to archive and manage video and rich media recorded with their solution. Most rely on a third-party platform, typically the institution's learning or course management system, to publish, search and secure content.

Enterprise video management solutions serve as centralized media repositories that facilitate the delivery, publishing and management of on-demand video. Unlike Mediasite, most platforms do not include a video capture, webcasting or live streaming component, but instead ingest or import video-based content captured by other third-party devices or solutions. Also, most other platforms focus on ingesting video-only content rather than rich video which combines multiple synchronous video and/or slide streams into an interactive media experience.

Some current and potential customers develop their own home-grown lecture capture, webcasting or video content solutions which may also compete with Mediasite. However, we often find many of these organizations are now looking for a commercial solution that offers comprehensive management capabilities, requires fewer resources and internal maintenance and delivers a less cumbersome workflow.

The competitive environment has required us to make changes in our products, pricing, licensing, services, or marketing to maintain and extend our current technology. Price concessions or the emergence of other pricing, licensing, and distribution strategies or technology solutions of competitors has impacted revenue growth and may in the future further reduce our revenue, margins or market share. Other changes we have to make in response to competition, such as our desktop user interface or changes to address privacy concerns, could cause us to expend significant financial and other resources, disrupt our operations, strain relationships with partners, release products and enhancements before they are thoroughly tested or result in customer dissatisfaction, any of which could harm our operating results and stock price.

If our marketing and lead generation efforts are not successful, our business will be harmed.
We believe that continued marketing efforts will be critical to achieve widespread acceptance of our products. Our marketing strategies and campaigns may not be successful, and we may not be able to generate sufficient cash flow from operations to cover the expenses required to implement effective strategies and campaigns. For example, failure to adequately generate and develop qualified sales leads could cause our future revenue to decrease. In addition, our inability to generate and cultivate qualified sales leads into large organizations, or significant cost to attain and maintain leads, where there is the potential for significant use of our products, could have a material adverse effect on our business. We may not be able to identify and secure the number of strategic qualified sales leads necessary to help generate marketplace acceptance of our products. If our marketing or lead-generation efforts are not successful, our business and operating results will be harmed.

The length of our sales and deployment cycles are uncertain, which may cause our revenue and operating results to vary significantly from quarter to quarter and year to year.
During our sales cycle, we spend considerable time and expense providing information to prospective customers about the use and benefits of our products without generating corresponding revenue. Our expense levels are relatively fixed in the short-term and based in part on our expectations of future revenue. Therefore, any delay in our sales cycle could cause significant variations in our operating results, particularly because a relatively small number of customer orders represent a large portion of our revenue.

Our largest potential sources of revenue are educational institutions, large corporations and government entities that often require long testing and approval processes before making a decision to purchase our products, particularly when evaluating our products for inclusion in new buildings under construction, high dollar transactions or competitive bids. In general, the process of selling our products to a potential customer may involve lengthy negotiations, collaborations with consultants, designers and architects, time consuming installation processes and changes in network infrastructure in excess of what we or our VARs are able to provide. In addition, educational institutions that started with small pilots are committing to more complex installations and expanding to include undergraduate classrooms, which, due to the increased size of these types of transactions, typically require a longer sales cycle. Also, our enterprise accounts are less motivated by seasonal sales and promotions, and therefore are frequently difficult to finalize. As a result of these factors, our sales and deployment cycles are unpredictable. Our sales and deployment cycles are also subject to delays as a result of customer-specific factors over which we have little or no control, including budgetary constraints, existing infrastructure technical issues and internal approval procedures, particularly with customers or potential customers that rely on government funding.

Our products are aimed toward a broadened user base within our key markets and these products are relatively early in their product life cycles. We cannot predict how the market for our products will develop, and part of our strategic challenge will be to convince targeted users of the productivity, improved communications and test scores, cost savings and other benefits. Accordingly, it is likely that delays in our sales cycles with these products will occur and this could cause significant variations in our operating results.

Sales of some of our products have experienced seasonal fluctuations which have affected sequential growth rates for these products, particularly in our first fiscal quarter. For example, there is generally a slowdown for sales of our products in the higher education and corporate markets in the first fiscal quarter of each year. Seasonal fluctuations could negatively affect our business, which could cause our operating results to fall short of anticipated results for such quarters. As such, we believe that quarter-to-quarter comparisons of our revenues, operating results and cash flows may not be meaningful and should not be relied upon as an indication of future performance.

We depend in part on the success of our relationships with third-party resellers and integrators.
Our success depends on various third-party relationships, particularly in our non-higher education business, with certain international geographies and our events services operations. The relationships include third party resellers, as well as, system integrators that assist with implementations of our products and sourcing of our products and services. Identifying partners, negotiating and documenting relationships with them and maintaining their relationships require significant time and resources from us. In addition, our agreements with our resellers and integrators are typically non-exclusive and do not prohibit them from working with our competitors or from offering competing products or services. We have limited control, if any, as to whether these strategic partners devote adequate resources to promoting, selling and implementing our products as compared to our competitor's products. Our competitors may be effective in providing incentives to third parties to favor their products or services. If we are unsuccessful in establishing or maintaining our relationships with these third parties, our ability to compete in the marketplace or to maintain or grow our revenue could be impaired and our operating results would suffer.

We may need to make acquisitions or form strategic alliances or partnerships in order to remain competitive in our market, and such acquisitions, strategic alliances or partnerships, could be difficult to integrate, disrupt our business and dilute stockholder value.
We completed the acquisitions of Mediasite KK in Japan and MediaMission (now Sonic Foundry International) in the Netherlands in fiscal 2014. In the future, we may acquire or form strategic alliances or partnerships with other businesses in order to remain competitive or to acquire new technologies. Acquisitions, alliances and investments involve numerous risks, including:

- The potential failure to achieve the expected benefits of the combination or acquisition;
- Difficulties in and the cost of integrating operations, technologies, services and personnel;
- Diversion of financial and managerial resources from existing operations;
- Risk of entering new markets in which we have little or no experience or where competitors may have stronger market positions;
- Potential write-offs of acquired assets or investments, and potential financial and credit risks associated with acquired customers;
- Potential loss of key employees;
- Inability to generate sufficient revenue to offset acquisition or investment costs;
- The inability to maintain relationships with customers and partners of the acquired business;
- The difficulty of transitioning the acquired technology onto our existing platforms and maintaining the security standards consistent with our other services for such technology;
- Potential unknown liabilities associated with the acquired businesses;
- Unanticipated expenses related to acquired technology and its integration into existing technology;
- Negative impact to our results of operations because of the depreciation and amortization of amounts related to acquired intangible assets, fixed assets and deferred compensation, and the loss of acquired deferred revenue and unbilled deferred revenue;
- Delays in customer purchases due to uncertainty related to any acquisition;
- The need to implement controls, procedures and policies at the acquired company;
- Challenges caused by distance, language and cultural differences;
- In the case of foreign acquisitions, the challenges associated with integrating operations across different cultures and languages and currency, technological, employee and other regulatory risks and uncertainties in the economic, social and political conditions associated with specific countries; and
- The tax effects of any such acquisitions.

Our failure to successfully manage the acquisitions of Mediasite KK and Sonic Foundry International, or other future acquisitions, strategic alliances or partnerships could seriously harm our operating results. In addition, our stockholders would be diluted if we finance the future acquisitions, strategic alliances or partnerships by incurring convertible debt or issuing equity securities.

Company Risks – Compliance

Our customers may use our products to share confidential and sensitive information, and if our system security is breached, our reputation could be harmed and we may lose customers.
Our customers may use our products and services to share confidential and sensitive information, the security of which is critical to their business. Third parties may attempt to breach our security for customer hosted content or the networks of our customers.

Malicious third-parties may also conduct attacks designed to temporarily deny customers access to our services. Customers may take inadequate security precautions with their sensitive information and may inadvertently make that information public. We may be liable to our customers or subject to fines for a breach in security, and any breach could harm our reputation and cause us to lose customers. In addition, customers are vulnerable to computer viruses, physical or electronic break-ins and similar disruptions, which could lead to interruptions, delays or loss of data. We may be required to expend significant capital and other resources to further protect against security breaches or to resolve problems caused by any breach, including litigation-related expenses if we are sued.

Our business is subject to changing regulations regarding corporate governance and public disclosure that will increase both our costs and the risk of noncompliance.
As a publicly traded company we are subject to significant regulations, including the Sarbanes-Oxley Act of 2002. While we have developed and instituted a corporate compliance program based on what we believe are the current best practices and continue to update the program in response to newly implemented regulatory requirements and guidance, we cannot assure that we are or will be in compliance with all potentially applicable regulations. If we fail to comply with any of these regulations, we could be subject to a range of regulatory actions, fines, or other sanctions or litigation.

The SEC has changed the rules multiple times on which companies are required to have auditor attestations in its system of internal controls. While these more recent changes make it less likely the Company will be required to have such an attestation, the SEC may in the future require us to have such an attestation. We have found material weaknesses in our internal control over financial reporting in the past and cannot assure that in the future we will not find additional material weaknesses in connection with our internal control over financial reporting pursuant to Section 404 of the Sarbanes-Oxley Act. We also cannot assure that we could correct all such weaknesses to allow our management to attest that we have maintained effective internal controls over financial reporting as of the end of our fiscal year in time to enable our independent registered public accounting firm to attest that such assessment will have been fairly stated in our Annual Report on Form 10-K to be filed with the Securities and Exchange Commission or attest that we have maintained effective internal control over financial reporting as of the end of our fiscal year. In addition, the disclosure of any material weakness in our internal control over financial reporting could have a negative impact on our stock price.

Industry Risks

Economic conditions could materially adversely affect the Company.
Weakness in domestic markets and global uncertainties exist in many areas of focus for us including the United Kingdom, Japan and the Middle East. In particular COVID 19 has created significant uncertainty in the world and specifically in the learning, educational, video, instructional global markets. Many of our customers rely on local, state or Federal government funding, both domestic and international. The Japanese government provides subsidies to support higher education from time to time but has not been consistent. Any future delay or elimination of government programs will have a negative impact on our operations in Japan. Any continuing unfavorable economic conditions could continue to negatively affect our business operating results or financial condition, which could in turn affect our stock price. Weak economic conditions and the resulting impact on the availability of public funds along with the possibility of state and local budget cuts and reduced university enrollment could lead to a reduction in demand for our products and services. In addition, a prolonged economic downturn could cause insolvency of key suppliers resulting in product delays, inability of customers to obtain credit to finance purchases of the Company's products and inability or delay of our channel partners and other customers to pay accounts receivable owed to us.

Economic conditions may have a disproportionate effect on the sale of our product and services.
Many of our product customers will look at the total A/V equipment and labor cost to outfit a typical conference room or lecture hall as one amount for budgetary purposes. Consequently, although our products represent only a portion of the total cost, the cost of the entire project of outfitting a room or conference hall may be considered excessive and may not survive budgetary constraints. Alternatively, our resellers may modify their quotes to end customers by eliminating our products or substituting less expensive products supplied by our competitors in order to win opportunities within budget constraints. Event service partners may similarly suggest that customers eliminate recording and webcasting as a means of reducing event cost. Consequently, declines in spending by government, educational or corporate institutions due to budgetary constraints may have a disproportionate impact on the Company and result in a material adverse impact on our financial condition. Many events are facing limited attendance or have gone completely virtual which could lead to more event cancellations.

We could lose revenues if there are changes in the spending policies or budget priorities for government funding of colleges, universities, schools and other education providers.
Most of our customers and potential customers are public colleges, universities, schools and other education providers who depend substantially on government funding. Accordingly, any general decrease, delay or change in federal, state or local funding for colleges, universities, schools and other education providers could cause our current and potential customers to reduce or delay their purchases of our products and services, or to decide not to renew service contracts, either of which could cause us to lose revenues. In addition, a specific reduction in governmental funding support for products such as ours would also cause us to lose revenues. Unfavorable economic conditions may result in further budget cuts and lead to lower overall spending, including information technology spending, by our current and potential clients, which may cause our revenues to decrease.

Changes in U.S. trade policy, including the imposition of tariffs and the resulting consequences, may have a material adverse impact on our business, operating results and financial condition.
The U.S. government has adopted new approaches to trade policy and in some cases to renegotiate, or potentially terminate, certain existing bilateral or multi-lateral trade agreements. It has also initiated tariffs on certain foreign goods and has raised the possibility of imposing significant, additional tariff increases or expanding the tariffs to capture other types of goods. In response, certain foreign governments have imposed retaliatory tariffs on goods that their countries import from the U.S. Changes in U.S. trade policy have resulted in one or more foreign governments, including China, adopting responsive trade policies that make it more difficult or costly for us to do business in or import our products from those countries. As a result of tariffs in China, the cost of our products has increased. Additional trade restrictions may lead to increased prices to our customers, which may reduce demand, or, if we are unable to achieve increased prices, result in lowering our margin on products sold.

We cannot predict the extent to which the U.S. or other countries will impose quotas, duties, tariffs, taxes or other similar restrictions upon the import or export of our products in the future, nor can we predict future trade policy or the terms of any renegotiated trade agreements and their impact on our business. The adoption and expansion of trade restrictions, the occurrence of a trade war, or other governmental action related to tariffs or trade agreements or policies has the potential to adversely impact demand for our products, our costs, our customers, our suppliers, and the U.S. economy, which in turn could have a material adverse effect on our business, operating results and financial condition.

Privacy concerns and laws, evolving regulation of cloud computing, cross-border data transfer restrictions and other domestic or foreign regulations may limit the use and adoption of our solutions and adversely affect our business.
Regulation related to the provision of services on the Internet is increasing, as Federal, state and foreign governments continue to adopt new laws and regulations addressing data privacy and the collection, processing, storage and use of personal information, including health data. In some cases, foreign data privacy laws and regulations, such as the European Union's General Data Protection Regulation that was enacted in May 2018, and an amended Act on the Protection of Personal Information in Japan, impose new obligations directly on us both as a data controller and a data processor, as well as on many of our customers. These new laws may require us to make changes to our services and/or our customers to meet the new legal requirements, and may also increase our potential liability exposure through higher potential penalties for non-compliance. Further, laws such as the European Union's proposed e-Privacy Regulation are increasingly aimed at the use of personal information for marketing purposes, and the tracking of individuals' online activities. These new or proposed laws and regulations are subject to differing interpretations and may be inconsistent among jurisdictions. These and other requirements could reduce demand for our services, require us to take on more onerous obligations in our contracts, restrict our ability to store, transfer and process data or, in some cases, impact our ability to offer our services in certain locations or our customers' ability to deploy our solutions globally. For example, ongoing legal challenges in Europe to the mechanisms allowing companies to transfer personal data from the European Economic Area to the United States could result in further limitations on the ability to transfer data across borders, particularly if governments are unable or unwilling to reach new or maintain existing agreements that support cross-border data transfers, such as the EU-U.S. and Swiss-U.S. Privacy Shield framework. Additionally, certain countries have passed or are considering passing laws requiring local data residency. In addition, domestic data privacy laws, such as the California Consumer Privacy Act ("CCPA"), which took effect in January 2020, continue to evolve and could expose us to further regulatory burdens. Further, laws such as the European Union's proposed e-Privacy Regulation are increasingly aimed at the use of personal information for marketing purposes, and the tracking of individuals' online activities. The costs of compliance with, and other burdens imposed by, privacy laws, regulations and standards may limit the use and adoption of our services, reduce overall demand for our services, make it more difficult to meet expectations from or commitments to customers, lead to significant fines, penalties or liabilities for noncompliance, or slow the pace at which we close sales transactions, any of which could harm our business.

We likely will need to acquire software and hardware in order to enhance our ability to defend and to detect intrusions to our network infrastructure and may need to seek certifications we currently do not have such as SOC2, ISO 27001 or both. These enhancements will be expensive and require significant staff time to deploy and develop. These risks are mitigated, to the extent possible, by our ability to maintain and improve business and data governance policies, enhanced processes and internal security controls, including our ability to escalate and respond to known and potential risks. Our executive management are regularly briefed on our cyber-security policies and practices and ongoing efforts to improve security, as well as periodic updates on cyber-security events. In addition, we update our Audit Committee at least annually regarding our processes for evaluating and mitigating risks including cyber related risks. Although we have developed systems and processes designed to protect our customers' and our customers' customers' proprietary and other sensitive data, we can provide no assurances that such measures will be effective.

In addition to government activity, privacy advocacy and other industry groups have established, or may establish, new self-regulatory standards that may place additional burdens on us. Many of our customers in the European Union face increasingly complex procurement requirements that have delayed some projects and caused us not to be successful in winning other opportunities. If we are unable to maintain these certifications or meet these standards, it could adversely affect our ability to provide our solutions to certain customers and could harm our business.

Our customers and potential customers do business in a variety of industries, including financial services, the public sector, healthcare and telecommunications. Regulators in certain industries have adopted and may in the future adopt regulations or interpretive positions regarding the use of cloud computing and other outsourced services. The costs of compliance with, and other burdens imposed by, industry-specific laws, regulations and interpretive positions may limit customers' use and adoption of our services and reduce overall demand for our services.

The costs of compliance with, and other burdens imposed by laws, regulations and standards, may limit the use and adoption of our service and reduce overall demand for it, or lead to significant fines, penalties or liabilities for any noncompliance.

Furthermore, concerns regarding data privacy may cause the users of our customers' data to resist providing the data necessary to allow our customers to use our service effectively. Even the perception that the privacy of personal information is not satisfactorily protected or does not meet regulatory requirements could inhibit sales of our products or services, and could limit adoption of our cloud-based solutions.

We face risks associated with government regulation of the internet and related legal uncertainties.
Currently, few existing laws or regulations specifically apply to the Internet, other than laws generally applicable to businesses. Many Internet-related laws and regulations, however, are pending and may be adopted in the United States, in individual states and local jurisdictions and in other countries. These laws may relate to many areas that impact our business, including encryption, network and information security, and the convergence of traditional communication services, such as telephone services, with Internet communications, taxes and wireless networks. These types of regulations could differ between countries and other political and geographic divisions both inside and outside the United States. Non-U.S. countries and political organizations may impose, or favor, more and different regulation than that which has been proposed in the United States, thus furthering the complexity of regulation. Certain countries have implemented, or may implement, legislative and technological actions that either do or can effectively regulate access to the Internet, including the ability of Internet Service Providers to limit access to specific websites or content. In addition, state and local governments within the United States may impose regulations in addition to, inconsistent with, or stricter than federal regulations. The adoption of such laws or regulations, and uncertainties associated with their validity, interpretation, applicability and enforcement, may affect the available distribution channels for, and the costs associated with, our products and services. The adoption of such laws and regulations may harm our business.

Investor Risks

The market price of our common stock may be subject to volatility.
In the past and through 2021, the trading prices of the securities of technology companies have been more volatile than the broader market. Factors affecting the market price of our common stock include:

- Variations in our operating results, earnings per share, cash flows from operating activities, deferred revenue and other financial metrics and non-financial metrics, and how those results compare to investor expectations;
- Our announcement of actual results for a fiscal period that are higher or lower than expected results;
- Changes in the estimates of our operating results or changes in recommendations by securities analysts that elect to follow our common stock;
- Announcements of technological innovations, new services or service enhancements, strategic alliances or significant agreements by us or by our competitors;
- Announcements by us or by our competitors of mergers or other strategic acquisitions, or rumors of such transactions involving us or our competitors;
- Announcements of customer additions and customer cancellations or delays in customer purchases;

- Recruitment or departure of key personnel;
- Disruptions in our service due to computer hardware, software, network or data center problems;
- The economy, market conditions in our industry and the industries of our customers;
- The issuance of shares of common stock and preferred stock by us, whether in connection with an acquisition or a capital raising transaction;
- Low trading volumes of our shares and inconsistent trading activity;
- Issuance of debt, changes to, defaults or non-renewal of debt facilities and other convertible securities;
- Failure to meet Nasdaq Exchange or OTC market requirements; and
- Any other factors discussed herein.
- In addition, if the market for technology stocks or the stock market in general experiences uneven investor confidence, the market price of our common stock could decline for reasons unrelated to our business, operating results or financial condition. The market price of our common stock might also decline in reaction to events that affect other companies within, or outside, our industry even if these events do not directly affect us.

Our common stock is subject to low trading volume and broad price swings.
Our common stock is currently quoted on the OTC Market ("OTC Pink Sheets") administered by the Financial Industry Regulatory Authority under the symbol "SOFO" since February 18, 2019. Prior to that, our common stock was traded on the OTCQB since December 31, 2018 and before that, the NASDAQ exchange under the same symbol. Trading of our stock on the OTC Pink Sheets has often been subject to very low volumes, broad price swings and often with no Company news. We applied for listing on the Nasdaq Capital Market in March 2021 are continuing to respond to questions of the NASDAQ listing qualifications team. There can be no assurance we are ultimately approved for listing on the NASDAQ Capital market.

Exercise of outstanding options and warrants will result in further dilution.
The issuance of shares of common stock upon the exercise of our outstanding options and warrants will result in dilution to the interests of our stockholders, and may reduce the trading price of our common stock.

At September 30, 2021, we had 440 thousand outstanding warrants and 1.9 million of outstanding stock options granted under our stock option plans, 1.3 million of which are immediately exercisable.

While a substantial portion of our outstanding warrants and options are currently priced above the market price of our common stock, dilution to the interests of our stockholders will likely occur if or when they are exercised. Additional options and warrants may be issued in the future at prices not less than 85% of the fair market value of the underlying security on the date of grant. Exercises of these options, or even the potential of their exercise may have an adverse effect on the trading price of our common stock. The holders of our options are likely to exercise them at times when the market price of the common stock exceeds the exercise price of the securities. Accordingly, the issuance of shares of common stock upon exercise of the options will likely result in dilution of the equity represented by the then outstanding shares of common stock held by other stockholders. Holders of our options can be expected to exercise or convert them at a time when we would, in all likelihood, be able to obtain any needed capital on terms, which are more favorable to us than the exercise terms provided, by these options.

Provisions of our charter documents and Maryland law could also discourage an acquisition of our Company that would benefit our stockholders and, due to our insiders control of a substantial percentage of our stock, our officers, directors, and major stockholders will have a substantial amount of control over whether to approve or disapprove of a transaction.
Provisions of our articles of incorporation and by-laws may make it more difficult for a third party to acquire control of our company, even if a change in control would benefit our stockholders. Our articles of incorporation authorize our board of directors, without stockholder approval, to issue one or more series of preferred stock, which could have voting and conversion rights that adversely affect or dilute the voting power of the holders of common stock. Furthermore, our articles of incorporation provide for a classified board of directors, which means that our stockholders may vote upon the retention of only one or two of our five directors each year. Moreover, Maryland corporate law restricts certain business combination transactions with "interested stockholders" and limits voting rights upon certain acquisitions of "control shares." In addition, even when there are no interested stockholders involved in a transaction, Maryland law requires that a transaction involving a merger, consolidation, transfer of assets, or share exchange, must be approved by the affirmative vote of at least two-thirds of the Company's stockholders.

Our executive officers and directors together beneficially own, on an "as converted basis", approximately 45% of our outstanding common stock, and Mr. Burish, individually, owns approximately 40% on an as converted basis. As a result, these stockholders, if they act together or in a block, or individually in the case of Mr. Burish, could have significant influence over most matters that require approval by our stockholders, including the approval of significant corporate transactions, even if other stockholders oppose them. In addition, under federal law, in many circumstances a company such as Sonic Foundry is not required to disclose that negotiations relating to a merger or to a sale of its stock or assets are occurring until a material definitive agreement has been reached. Concentration of ownership as described here might also have the effect of delaying or preventing a change of control of our Company that other stockholders may view as beneficial.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal office is located in Madison, Wisconsin in a leased facility of approximately 26,000 square feet. The building serves as our corporate headquarters, accommodating our general and administrative, product development and selling and marketing departments. We believe this facility is adequate for our needs. The current lease term for this office expires on December 31, 2021, and the renewed lease term expires on June 30, 2024. The rent for the remainder of the current lease period is approximately $60 thousand per month, and $56 thousand, $58 thousand, and $60 thousand for the calendar years of 2022, 2023, and January to June 2024, respectively.

Our operations in Japan are managed in Tokyo, Japan in a leased facility of approximately 9,874 square feet with a term expiring on December 31, 2021. Effective January 1, 2022, the operations will move to a new leased facility of 7,870 square feet which will expire on December 31, 2023. The facility includes sales, technical and administrative functions. The rent through December 31, 2021 is approximately $48 thousand per month. Beginning on January 1, 2022, the monthly rent will decrease to approximately $33 thousand per month.

Our European operations are managed in Utrecht, Netherlands in a leased facility of approximately 3,886 square feet with a term expiring on January 31, 2022, which is expected to be extended for one year with an option to extend for one additional year. The facility includes sales, technical and administrative functions. The rent for the remainder of the lease period is approximately $6 thousand per month.

ITEM 3. LEGAL PROCEEDINGS

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

Price Range of Common Stock

Our common stock was initially traded on the American Stock Exchange under the symbol "SFO," beginning with our initial public offering in April of 1998. On April 24, 2000, our common stock began trading on the NASDAQ Global Market under the symbol "SOFO." Effective September 16, 2009, we transferred the listing of our common stock to the NASDAQ Capital Market. Effective December 31, 2018, we transferred the listing of our common stock to the OTCQB Market under the symbol "SOFO". Effective February 18, 2019, we transferred the listing of our common stock to the OTC Pink Sheets under the symbol "SOFO". The following table sets forth, for the periods indicated, the high and low sale prices per share of our common stock as reported on the OTC Pink Sheets.

	High	Low
Year Ended September 30, 2022:		
First Quarter (through November 12, 2021)	3.81	3.74
Year Ended September 30, 2021:		
First Quarter	3.26	3.09
Second Quarter	4.28	4.18
Third Quarter	5.10	4.61
Fourth Quarter	3.88	3.60
Year Ended September 30, 2020:		
First Quarter	1.40	0.92
Second Quarter	3.95	1.28
Third Quarter	5.23	2.00
Fourth Quarter	4.96	3.07

Dividends

The Company has not paid any cash dividends and does not intend to pay any cash dividends in the foreseeable future. The Company is prohibited from paying any cash dividends pursuant to the terms of the loan and security agreement with U.S. Bank National Association.

Conversion of Related-Party Debt to Equity

On March 5, 2020, the Company announced that its special committee of disinterested and independent directors retained Silverwood Partners LLC, an investment banking firm specializing in digital media technology, to evaluate strategic alternatives for the Company.

On April 8, 2020, the company received an offer from Mr. Mark Burish, the current Chairman of the Board, to purchase all outstanding shares of the Company's common stock not presently held by Mr. Burish for $5.00 per share. After concluding no other strategic alternatives existed for the Company at that time, the Company announced on April 27, 2020 that its special committee of disinterested and independent directors had accepted the offer from Mr. Burish.

Shortly following the announcement, however, a number of shareholders advised they were opposed to the transaction and felt opportunities available to the company now, in view of the video-first, distance learning environment resulting from the COVID crisis, may provide pathways to achieve greater value. Concerned that a proposal would not obtain the required shareholder approval, the company and Mr. Burish agreed to not pursue the transaction at that time, and instead, continue to pursue other strategic alternatives to enhance both Company and shareholder value, improve the Company's financial position, and provide the Company with resources to further its growth opportunities.

On May 14, 2020, the Company announced it had agreed to convert $5.6 million of existing secured debt to Mr. Burish into 1,114,723 shares of its common stock at $5.00 per share. The transaction was recommended by the Company's special committee of disinterested and independent directors and unanimously approved by all disinterested directors of the Company. Silverwood Partners LLC issued a fairness opinion in connection with the transaction.

The Company relied on Section 4(a)(2) of the Securities Act of 1933, as amended, to issue the Promissory Notes and stock, inasmuch as the director and the affiliated party both received from the Company information that registration would provide and neither the Company nor any person acting on its behalf offered or sold the Notes or stock by any form of general solicitation or general advertising.

Holders

At November 22, 2021, there were 211 common stockholders of record and approximately 2,800 total shareholders. Many shares are held by brokers and other institutions on behalf of shareholders.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options	Weighted average exercise price of outstanding options	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders (1)	1,853,479	$ 4.44	1,634,960
Total	1,853,479	$ 4.44	1,634,960

(1) Consists of the 2009 Stock Incentive Plan, the 2020 Equity Incentive Stock Option Plan and the 2008 Non-Employee Directors Stock Option Plan. For further information regarding these plans, reference is made to Note 5 of the financial statements.

ITEM 6. SELECTED CONSOLIDATED FINANCIAL DATA

The selected financial and operating data were derived from our consolidated financial statements. The selected financial data set forth below is qualified in its entirety by, and should be read in conjunction with, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and notes thereto appearing elsewhere in this annual report on Form 10-K (in thousands except per share data).

	Years Ended September 30,				
	2021	**2020**	**2019**	**2018**	**2017**
Statement of Operations Data:					
Revenue	$ 35,167	$ 34,753	$ 34,781	$ 34,544	$ 36,000
Cost of revenue	10,294	9,634	9,280	9,656	9,867
Gross margin	24,873	25,119	25,501	24,888	26,133
Operating expenses	24,066	24,383	28,009	29,118	30,091
Impairment of goodwill & intangible assets	—	—	—	11,809	600
Income (loss) from operations	807	736	(2,508)	(16,039)	(4,558)
Other income (expense), net	4	(109)	(117)	142	(65)
Gain on debt forgiveness	2,325	—	—	—	—
Interest expense, net	(44)	(658)	(897)	(601)	(495)
Benefit (provision) for income taxes	(15)	(148)	(90)	4,332	79
Net income (loss)	$ 3,077	$ (179)	$ (3,612)	$ (12,166)	$ (5,039)
Dividends on preferred stock	$ —	$ —	$ (122)	$ (257)	$ (169)
Net income (loss) attributable to common shareholders	$ 3,077	$ (179)	$ (3,734)	$ (12,423)	$ (5,208)
Basic net income (loss) per common share	$ 0.37	$ (0.02)	$ (0.64)	$ (2.67)	$ (1.17)
Diluted net income (loss) per common share	$ 0.36	$ (0.02)	$ (0.64)	$ (2.67)	$ (1.17)
Weighted average common shares:					
– Basic	8,230,100	7,216,135	5,833,301	4,655,520	4,436,333
– Diluted	8,650,384	7,216,135	5,833,301	4,655,520	4,436,333

Balance Sheet Data at September 30:	**2021**	**2020**	**2019**	**2018**	**2017**
Cash and cash equivalents	$ 9,989	$ 7,619	$ 4,295	$ 1,189	$ 1,211
Working capital (deficit)	3,389	(1,488)	(847)	(5,765)	(4,833)
Total assets	24,015	22,629	15,180	13,583	28,356
Long-term liabilities	3,859	5,373	7,602	3,451	8,147
Stockholders' equity (deficit)	6,140	(1,048)	(6,253)	(6,458)	3,118

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The financial and business analysis below provides information that Sonic Foundry, Inc. (the "Company") believes is relevant to an assessment and understanding of the Company's consolidated financial position and results of operations. This financial and business analysis should be read in conjunction with the consolidated financial statements and related notes.

This report includes estimates, projections, statements relating to our business plans, objectives, and expected operating results that are "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements may appear throughout this report, including the following sections: "Management's Discussion and Analysis," and "Risk Factors." These forward-looking statements generally are identified by the words "believe," "project," "expect," "anticipate," "estimate," "intend," "strategy," "future," "opportunity," "plan," "may," "should," "will," "would," "will be," "will continue," "will likely result," and similar expressions. Forward-looking statements are based on current expectations and assumptions that are subject to risks and uncertainties that may cause actual results to differ materially. We describe risks and uncertainties that could cause actual results and events to differ materially in "Risk Factors" (Part 1, Item 1A of this Form 10-K), "Quantitative and Qualitative Disclosures about Market

Risk" (Part II, Item 7A of this Form 10-K), and in this Item 7. We undertake no obligation to update or revise publicly any forward-looking statements, whether because of new information, future events, or otherwise.

Overview

Sonic Foundry, Inc. is a trusted global leader for video capture, management and streaming solutions. Trusted by educational institutions, corporations and government entities, Mediasite Video Platform quickly and cost-effectively automates the capture, management, delivery and search of live and on-demand streaming video. Mediasite transforms communications, training, education and events for our customers worldwide.

Critical Accounting Policies

We have identified the following as critical accounting policies to our Company and have discussed the development, selection of estimates and the disclosure regarding them with the audit committee of the board of directors:

- Revenue recognition;
- Inventory reserves;
- Allowance for doubtful accounts;
- Asset retirement obligations;
- Valuation allowance for net deferred tax assets; and
- Accounting for stock-based compensation.

Revenue recognition

We recognize revenues in accordance with Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC") Topic 606, Revenue from Contracts with Customers ("ASC 606"). Recording revenues requires judgment, including determining whether an arrangement includes multiple performance obligations, whether any of those obligations are distinct and cannot be combined and allocation of the transaction price to each performance obligation based on the relative standalone selling prices ("SSP"). Customers receive certain contract elements over time. Changes to the elements in an arrangement or, in our determination, to the relative SSP for these elements, could materially affect the amount of earned and unearned revenues reflected in our consolidated financial statements.

The primary judgments relating to our revenue recognition include determining whether (i) the contract with a customer exists; (ii) performance obligations are identified; (iii) the transaction price is determined; (iv) the transaction price is allocated to performance obligations; and (v) the distinct performance obligations are satisfied by transferring control of the product or service to the client. Transfer of control is typically evaluated from the customer's perspective.

At contract inception, we determine whether we satisfy the performance obligation over time or at a point in time. Revenues from hosted software and hosting solutions are primarily recognized ratably over time or as fee-bearing usages occur. Certain software licenses are sold either on-premises or through term-based hosting agreements. These hosting arrangements provide customers with the same product functionality and differ mainly in the duration over which the customer benefits from the software. We deliver our software licenses electronically. Electronic delivery occurs when we provide the customer with access to the software and license key via a secure portal. Revenue from on-premises software licenses is generally recognized upfront at the point in time when the software is made available to the customer.

Our contracts with customers for on-premises software licenses include maintenance services and may also include training and/or professional services. Maintenance services agreements consist of fees for providing software updates on an if and when available basis and for providing technical support for software products for a specified term. We believe that our software updates and technical support each have the same pattern of transfer to the customer and are substantially the same. Therefore, we consider these updates and technical support to be a single distinct performance obligation. Revenues allocated to maintenance services are recognized ratably as the maintenance services are provided. Revenues related to training services are billed on a fixed fee basis and are recognized as the services are delivered. Payments received in advance of services performed are deferred and recognized when the related services are performed. Revenues related to professional services are billed on a time and materials basis and are recognized as the services are performed.

We also provide cloud-based subscriptions, which allow customers to access our software during a contractual period without taking possession of the software. We recognize revenue related to these cloud-based subscriptions ratably over the life of the subscription agreement beginning when the customer first has access to the software.

We are often party to multiple concurrent contracts or contracts pursuant to which a client may purchase a combination of goods and services. These situations require judgment to determine whether multiple contracts should be combined and accounted for as a single arrangement. In making this determination, we consider whether the economics of the individual contracts cannot be understood without reference to the whole and multiple promises represent one single performance obligation.

Due to the large number, broad nature and average size of individual contracts we are a party to, the effect of judgments and assumptions we apply in recognizing revenues for any single contract is not likely to have a material effect on our consolidated operations. However, the broader accounting policy assumptions that we apply across similar arrangements or classes of clients could significantly influence the timing and amount of revenues recognized in our results of operations.

Reserves

Beginning in fiscal year 2020, the Company established a hardware inventory reserve. In conjunction with a new hardware release due in the fourth quarter FY 2020, certain older models are no longer being actively sold and those units, along with their corresponding raw materials, have been 100% reserved. The inventory reserve methodology stayed unchanged in fiscal year 2021. The Company fully reserved all inactive hardware due to release of Media Site 8.0.

Credit Evaluation and Allowance for Doubtful Accounts

We assess the realization of our receivables by performing ongoing credit evaluations of our customers' financial condition. Through these evaluations, we may become aware of a situation where a customer may not be able to meet its financial obligations due to deterioration of its financial viability, credit ratings or bankruptcy. Our reserve requirements are based on the best facts available to us and are reevaluated and adjusted as additional information is received. Our reserves are also based on amounts determined by using percentages applied to certain aged receivable categories. These percentages are determined by a variety of factors including, but not limited to, current economic trends, historical payment and bad debt write-off experience. Allowance for doubtful accounts for accounts receivable and financing receivables was $261 thousand at September 30, 2021 and $236 thousand at September 30, 2020.

Asset retirement obligation

An asset retirement obligation ("ARO") represents a legal obligation associated with the retirement of a tangible long-lived asset that is incurred upon the acquisition, construction, development, or normal operation of that long-lived asset. The Company's ARO is associated with MSKK leasehold improvements that we are contractually obligated to remove at the end of a lease to comply with the lease agreement. We recognize asset retirement obligations upon construction of leasehold improvements with such conditions if a reasonable estimate of fair value can be made. The ARO is recorded in other noncurrent liabilities in the Consolidated Balance Sheets. The associated estimated ARO is capitalized as part of the carrying amount of the long-lived asset and depreciated over its useful life.

Valuation allowance for net deferred tax assets

Deferred tax assets and liabilities are determined based on differences between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. We do not provide for U.S. income taxes on the undistributed earnings of our foreign subsidiaries, which we consider to be permanently invested outside of the U.S.

We make judgments regarding the realizability of our deferred tax assets. The balance sheet carrying value of our net deferred tax assets is based on whether we believe that it is more likely than not that we will generate sufficient future taxable income to realize these deferred tax assets after consideration of all available evidence. We regularly review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income exclusive of reversing taxable temporary differences to outweigh objective negative evidence of recent financial reporting losses. Generally, cumulative losses in recent years is a significant piece of negative evidence that is difficult to overcome in determining that a valuation allowance is not needed.

As of September 30, 2021 and 2020, valuation allowances have been established for all U.S. and for certain foreign deferred tax assets which we believe do not meet the "more likely than not" criteria for recognition. If we are subsequently able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been established, then we will be required to recognize these deferred tax assets through the reduction of the valuation allowance, which could result in a material benefit to our results of operations in the period in which the benefit is determined.

Accounting for stock-based compensation

The Company uses a lattice valuation model to account for all employee stock options granted. The lattice valuation model is a more flexible analysis to value options because of its ability to incorporate inputs that change over time, such as actual exercise behavior of option holders. The Company uses historical data to estimate the option exercise and employee departure behavior in the lattice valuation model. Expected volatility is based on historical volatility of the Company's stock. The Company considers all employees to have similar exercise behavior and therefore has not identified separate homogenous groups for valuation. The expected term of options granted is derived from the output of the option pricing model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods the options are expected to be outstanding is based on the U.S. Treasury yields in effect at the time of grant. Forfeitures are based on actual behavior patterns.

All transactions in which goods or services are the consideration received for the issuance of equity instruments are accounted for based on the fair value of the consideration received or the fair value of the equity instrument issued, whichever is more reliably measured.

Restructuring and exit activities

The determination of when the Company accrues for involuntary termination benefits under restructuring plans depends on whether the termination benefits are provided under an on-going benefit arrangement or under a one-time benefit arrangement. The Company accounts for on-going benefit arrangements in accordance with Accounting Standards Codification 712 ("ASC 712") *Nonretirement Postemployment Benefits.* According to ASC 712, involuntary termination benefits would be measured and recognized when the expense is both probable and estimable. For those employees who have a severance arrangement outlined under an existing employment agreement, the communication date would be the date of hire since at that point in time, the Company and the employee had a mutual understanding of the agreement. The measurement and recognition date of the expense would occur when the Company is committed to the plan and it is probable the impacted employee is entitled to the termination benefit. The Company accounts for one-time benefit arrangements in accordance with ASC 420 E*xit or Disposal Cost Obligations*. According to ASC 420, an arrangement for one-time employee termination benefits exists at the date the plan of termination meets certain criteria and has been communicated to employees.

RESULTS OF OPERATIONS

You should read the following discussion of our results of operations and financial condition in conjunction with our consolidated financial statements and related notes thereto included in Item 8 of this Annual Report on Form 10-K.

Revenue

Revenue from our business includes the sale of Mediasite recorders and server software products and related services contracts, such as customer support, installation, customization services, training, content hosting and event services. We market our products to educational institutions, corporations and government agencies that need to deploy, manage, index and distribute video content on Internet-based networks. We reach both our domestic and international markets through reseller networks, a direct sales effort and partnerships with system integrators.

Revenue increased by approximately $400 thousand from fiscal 2021 to fiscal 2020 consisting of the following:

- Product and other revenue from the sale of Mediasite recorder units and server software increased from $10.3 million in fiscal 2020 to $10.5 million in fiscal 2021. Mediasite recorder revenue increased $489 thousand offset by a decrease of $207 thousand related to server software revenue and a decrease of $148 thousand related to freight from fiscal 2020 to fiscal 2021.

- Services revenue represents the portion of fees charged for Mediasite customer support, hosting, and captioning contracts amortized over the length of the contract, typically 12 months. It also includes point in time service revenue such as installations and training, custom development, and event services. Total services revenue increased from $24.4 million in fiscal 2020 to

$24.7 million in fiscal 2021. Hosting, events, and custom development revenue increased by $2.5 million, offset by support revenue, which decreased by $2.2 million.

- At September 30, 2021, $11.0 million of revenue was deferred, of which we expect to recognize $9.4 million in the next twelve months, including approximately $3.5 million in the quarter ending December 31, 2021. At September 30, 2020, $12.1 million of revenue was deferred. The decrease in deferred revenue is due to lesser amount of billings in fiscal 2021 compared to revenue earned.

- Other revenue relates to freight charges billed separately to our customers.

Gross Margin

Total gross margin in fiscal 2021 was $24.9 million or 71% compared to $25.1 million or 72% in fiscal 2020. The slight decline year over year is primarily attributed to the increase in hosting expenses, primarily due to $380 thousand increase in depreciation expense associated with the new US and UK data centers.

Operating Expenses

Selling and Marketing Expenses

Selling and marketing expenses include wages and commissions for sales, marketing and business development personnel, print and digital advertising, tradeshows and various promotional expenses for our products. Timing of these costs may vary greatly depending on introduction of new products and services or entrance into new markets, or participation in major tradeshows.

Selling and marketing expense decreased over $1.0 million, or 8%, from $13.0 million in fiscal 2020 to $12.0 million in fiscal 2021. Fluctuations in the major categories include:

- Salary, commissions and benefits decreased by $1.3 million due to department restructuring strategy that is largely complete.
- Advertising and professional services decreased by $166 thousand.
- T&E decreased $161 thousand due to the impact of COVID on travel.
- Selling and marketing expenses for Sonic Foundry International and MSKK accounted for $806 thousand and $3.2 million, respectively in fiscal 2021, an aggregate increase of $742 thousand from the prior year associated with additional headcount, a new bonus plan, office rent and maintenance expense, professional services, partially offset by reduced travel and entertainment.

At September 30, 2021, we had 99 employees in selling and marketing, a slight increase from 97 employees at September 30, 2020. Of the 99 employees in selling and marketing at September 30, 2021, 59 are employed by our foreign subsidiaries.

General and Administrative Expenses

General and administrative (“G&A”) expenses consist of personnel and related costs associated with the facilities, finance, legal, human resources and information technology departments, as well as other expenses not fully allocated to functional areas.

G&A expenses decreased by approximately $185 thousand, or 4%, to $4.9 million in fiscal 2021 from $5.1 million in fiscal 2020. Fluctuations in major categories include:

- Increase in compensation and benefits of $98 thousand in fiscal 2021.
- Decrease in facilities and supplies of $378 thousand associated with a corporate office COVID rent credit of $320 thousand and a reduction in IT support cost of $86 thousand offset by an increase in operating expense fees of $26 thousand in fiscal 2021.
- Increase in professional fees of $130 thousand due to increased legal costs.
- Depreciation decreased $292 thousand associated with the original US data center reaching end of life.
- G&A expenses for Sonic Foundry International and MSKK accounted for $314 thousand and $1.1 million, respectively, in fiscal 2021, an aggregate increase of $267 thousand from the prior year.

At September 30, 2021, we had 20 full-time employees in G&A, an increase from 16 full-time employees at September 30, 2020. Of the 20 employees in G&A at September 30, 2021, 6 are employed by our foreign subsidiaries.

Product Development Expenses

Product development expenses include salaries and wages of the software research and development staff and an allocation of benefits, facility and administrative expenses.

Product development expenses increased approximately $900 thousand, or 15%, from $6.3 million in fiscal 2020 to $7.2 million in fiscal 2021. The increase is primarily due to the following:

- Increase in compensation, benefits, and commissions of $523 thousand due to the addition of a senior level management position in fiscal 2021 as well as the replacement of certain staff level roles at the end of the prior fiscal year.
- Professional services increased by $128 thousand due to product development research and T&E increased by about $16 thousands.
- Product development expenses for Sonic Foundry International and MSKK accounted for $450 thousand and $377 thousand, respectively, for fiscal 2021, an aggregate increase of $53 thousand from the prior year related to the subsidiaries.

At September 30, 2021, and 2020, we had 48 full-time employees in product development. Of the 48 employees in product development at September 30, 2021, 9 are employed by our foreign subsidiaries. There were no software development costs in fiscal 2021 or 2020 that qualified for capitalization.

Other Income and Expense, Net

Interest expense for fiscal 2021 decreased $614 thousand compared to fiscal 2020, mainly as a result of the Burish debt to equity conversion in May 2020. The Company also recorded $61 thousand of interest expense during fiscal 2021 related to the accretion of discounts on the PFG Loan and Warrant Debt compared to $74 thousand in the same period last year. In addition, the Company recorded amortization expense related to the back-end fee on the PFG loan of $31 thousand and $50 thousand fiscal 2021 and fiscal 2020 respectively. The Company also recorded $84 thousand of interest expense through May 14, 2020 related to the accretion of discounts on the Burish notes payable.

Warrants were also issued in connection with the Burish note. For further details, see Note 3 - Credit Arrangements and Note 9 - Related Party Transactions.

During fiscal 2021, a gain in fair value of $12 thousand was recorded related to the fair value re-measurement on the derivative liability associated with the PFG V Loan and Warrant Debt compared to a loss in fair value of $57 thousand during fiscal 2020.

No foreign currency exchange gain or loss was recorded related to re-measurement of the subordinated notes payable related to the Company's foreign subsidiaries in either fiscal 2021 or 2020.

Provisions Related to Income Taxes

The Company believes the valuation allowance for its deferred tax assets is appropriate. See Note 6 - Income Taxes for further details. The repatriation of undistributed foreign earnings is not expected to result in a material change to our financial results.

Foreign Currency Translation Adjustment

The Company’s wholly-owned subsidiaries operate in Japan and the Netherlands, and utilize the Japanese Yen and Euro, respectively, as their functional currency. Assets and liabilities of the Company’s foreign operations are translated into US dollars at period end exchange rates whiles revenues and expenses are translated using average rates for the period. Gains and losses from the translation are deferred and included in accumulated other comprehensive loss on the consolidated statements of operations.

For the year ended September 30, 2021, the Company’s foreign currency translation adjustment was a loss of $156 thousand compared to a gain of $84 thousand in the year ended September 30, 2020. The loss in fiscal 2021 is attributable to the weakening of the Japanese Yen and the Euro compared to the U.S. dollar.

During fiscal 2021, the Company recorded an aggregate transaction gain of $16 thousand compared to an aggregate loss of $36 thousand during fiscal 2020. The aggregate transaction gain or loss is included in the other expense line of the consolidated statements of operations.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are its cash and debt and equity financing. During fiscal 2021, the Company generated $1.2 million of cash in operating activities compared with $3.3 million of cash provided in operating activities in fiscal 2020. The Company had a net income in fiscal 2021 as compared to net loss in fiscal 2020.

Capital expenditures for property and equipment were $1.5 million in fiscal 2021 compared to $1.7 million in fiscal 2020. The investment is primarily related to completing the new US Data center and computer equipment purchase.

The Company was provided $2.7 million of cash flows for financing activities during 2021, primarily due to $3.7 million proceeds from issuance of common stock partially offset by $935 thousand due to payments on notes payable. For the same period in fiscal 2020, the Company generated $1.7 million of cash from financing activities, primarily due to proceeds from the PPP Loan of $2.3 million, the Mediasite K.K. term debt of $463 thousand, and the Mediasite K.K. government assistance loan of $378 thousand.

At September 30, 2021, there was no balance outstanding on the line of credit with US Bank and Mitsui Sumitomo Bank.

At September 30, 2021, the Company had $556 thousand outstanding, net of warrant debt and debt discounts, related to notes payable with PFG V and Mediatesite K.K. term debt. At September 30, 2020, the Company had $860 thousand outstanding, net of warrant debt and debt discounts, related to notes payable with PFG V.

At September 30, 2021 approximately $3.8 million of cash and cash equivalents was held by the Company's foreign subsidiaries.

The Company believes its cash position plus available line of credit is adequate to accomplish its business plan through at least the next twelve months.

The Company completed a common stock issuance to certain investors totaling $3.5 million, net of $88 thousand expenses, on July 27, 2021. The proceeds of the stock issuance are intended to satisfy the initial listing requirements of the Nasdaq Capital Market for which the Company applied in March 2021. While the Company believes it satisfies all the requirements to be listed on Nasdaq, there can be no assurances that Nasdaq will approve our listing application. Additionally, the Company signed a line of credit agreement on July 28, 2021, with US Bank for $3 million at an annual rate equal to 1.35% plus the greater of zero percent and the one month LIBOR rate. The Company will likely evaluate lease opportunities to finance equipment purchases in the future and support working capital needs. We may also seek additional equity financing but there are no assurances that these will be on terms acceptable to the Company.

Contractual Obligations

The following summarizes our contractual obligations at September 30, 2021 and the effect those obligations are expected to have on our liquidity and cash flow in future periods (in thousands):

Contractual Obligations:	Total	Less than 1 Year	Years 2-3	Years 4-5	Over 5 years
Product and service purchase commitments	$ 3,568	$ 3,400	$ 168	$ —	$ —
Operating lease obligations	2,666	1,008	1,559	42	57
Capital lease obligations (a)	111	83	21	7	—
Notes payable (a)	556	—	556	—	—

(a) Includes fixed and determinable interest payments

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Derivative Financial Instruments

Pursuant to Item 305 of Regulation S-K, the Company, as a smaller reporting company, is not required to provide the information required by this item.

Interest Rate Risk

Our cash equivalents, which consist of overnight money market funds, are subject to interest rate fluctuations, however, we believe this risk is minimal due to the short-term nature of these investments.

At September 30, 2021, the Company didn't carry outstanding debt with variable rate, therefore an increase in the level of interest rates would not have a material impact on our Consolidated Financial Statements. We monitor our positions with, and the credit quality of, the financial institutions that are party to any of our financial transactions.

Foreign Currency Exchange Rate Risk

The functional currency of our foreign subsidiaries in the Netherlands is the Euro and in Japan is the Japanese Yen. They are subject to foreign currency exchange rate risk. Any increase or decrease in the exchange rate of the U.S. Dollar compared to the Euro or Japanese Yen will impact our future operating results and financial position.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders, Audit Committee and Board of Directors
Sonic Foundry, Inc. and Subsidiaries

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Sonic Foundry, Inc. and Subsidiaries (the "Company") as of September 30, 2021 and 2020, and the related statements of operations, comprehensive income (loss), stockholders' equity (deficit), and cash flows for the years ended September 30, 2021 and 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material aspects, the financial position of the Company at September 30, 2021 and 2020 and the results of its operations and its cash flows for the years ended September 30, 2021 and 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and the significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgements. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing separate opinions on the critical audit matter or on the accounts or disclosure to which it relates.

Revenue Recognition - Evaluation of the allocation of the transaction price to distinct performance obligations

As described in Note 1 to the consolidated financial statements, the Company's contracts with customers often include multiple distinct performance obligations, including hardware products, software licenses, hosting arrangements, maintenance services, events and other professional services. The accounting for contracts with multiple performance obligations requires the contract's transaction price to be allocated to each distinct performance obligation based on relative stand-alone selling price (SSP). Because the Company rarely sells its products and services on a standalone basis, significant judgement is required to determine SSP for each distinct performance obligation. We identified the determination of the SSP of performance obligations as a critical audit matter.

The primary audit procedures we performed to address this critical audit matter included:

- We evaluated the appropriateness of the Company's methodology to identify performance obligations with contracts and allocate the transaction price based on each performance obligation's relative SSP.
- We tested the completeness and accuracy of the data used by the Company to calculate each performance obligation's SSP. We recalculated and validated the pricing inputs used by the Company in the calculation.
- We selected a sample of revenue transactions and performed the following procedures to test the Company's application of allocating the transaction price to each distinct performance obligation based on its relative SSP:
  - Obtained and read contract source documents to assess that all performance obligations were appropriately identified.
  - Compared the SSP indicated by the Company's analysis to each performance obligation within the selected contract to ensure it agreed. We then recalculated the Company's allocation of relative SSP to each of the performance obligations.

/s/ Wipfli LLP

We have served as the Company's auditor since 2019.

Minneapolis, Minnesota
December 9, 2021

Sonic Foundry, Inc.
Consolidated Balance Sheets
(in thousands, except for share and per share data)

	September 30, 2021	September 30, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 9,989	$ 7,619
Accounts receivable, net of allowances of $261 and $236	5,167	6,250
Inventories, net	442	1,167
Investment in sales-type lease, current	294	275
Capitalized commissions, current	360	440
Prepaid expenses and other current assets	1,153	1,065
Total current assets	17,405	16,816
Property and equipment:		
Leasehold improvements	1,111	1,128
Computer equipment	8,527	7,960
Furniture and fixtures	1,528	1,366
Total property and equipment	11,166	10,454
Less accumulated depreciation and amortization	8,368	7,295
Property and equipment, net	2,798	3,159
Other assets:		
Investment in sales-type lease, long-term	490	76
Capitalized commissions, long-term	76	100
Right-of-use assets under operating leases	2,441	2,081
Other long-term assets	805	397
Total assets	$ 24,015	$ 22,629
Liabilities and stockholders' equity (deficit)		
Current liabilities:		
Accounts payable	1,072	2,689
Accrued liabilities	2,522	2,565
Current portion of unearned revenue	9,413	10,678
Current portion of finance lease obligations	79	119
Current portion of operating lease obligations	930	1,425
Current portion of notes payable and warrant debt, net of discounts	—	1,104
Total current liabilities	14,016	18,580
Long-term portion of unearned revenue	1,614	1,460
Long-term portion of finance lease obligations	26	89
Long-term portion of operating lease obligations	1,583	665
Long-term portion of notes payable and warrant debt, net of discounts	556	2,673
Derivative liability, at fair value	53	66
Other liabilities	27	144
Total liabilities	17,875	23,677
Commitments and contingencies		
Stockholders' equity (deficit):		
Preferred stock, $.01 par value, authorized 500,000 shares; none issued	—	—
9% Preferred stock, Series A, voting, cumulative, convertible, $.01 par value (liquidation preference of $1,000 per share), authorized 4,500 shares; zero shares issued and outstanding, at amounts paid in	—	—
5% Preferred stock, Series B, voting, cumulative, convertible, $.01 par value (liquidation preference at par), authorized 1,000,000 shares, none issued	—	—
Common stock, $.01 par value, authorized 15,000,000 shares; 9,064,821 and 7,965,325 shares issued and 9,052,105 and 7,952,609 shares outstanding	91	80
Additional paid-in capital	213,278	209,022
Accumulated deficit	(206,442)	(209,519)
Accumulated other comprehensive loss	(618)	(462)
Treasury stock, at cost, 12,716 shares	(169)	(169)
Total stockholders' equity (deficit)	6,140	(1,048)
Total liabilities and stockholders' equity (deficit)	$ 24,015	$ 22,629

See accompanying notes to the consolidated financial statements.

Sonic Foundry, Inc.
Consolidated Statements of Operations
(in thousands, except for share and per share data)

	Years Ended September 30, 2021	Years Ended September 30, 2020
Revenue:		
Product and other	$ 10,473	$ 10,339
Services	24,694	24,414
Total revenue	35,167	34,753
Cost of revenue:		
Product and other	4,042	4,430
Services	6,252	5,204
Total cost of revenue	10,294	9,634
Gross margin	24,873	25,119
Operating expenses:		
Selling and marketing	11,970	13,025
General and administrative	4,870	5,055
Product development	7,226	6,303
Total operating expenses	24,066	24,383
Income from operations	807	736
Non-operating income (expenses):		
Interest expense, net	(44)	(658)
Gain on debt forgiveness	2,325	—
Other income (expense), net	4	(109)
Total non-operating income (expense)	2,285	(767)
Income (loss) before income taxes	3,092	(31)
Income tax benefit (expense)	(15)	(148)
Net income (loss)	$ 3,077	$ (179)
Dividends on preferred stock	—	—
Net income (loss) attributable to common stockholders	$ 3,077	$ (179)
Income (Loss) per common share:		
Basic net income (loss) per common share	$ 0.37	$ (0.02)
Diluted net income (loss) per common share	$ 0.36	$ (0.02)
Weighted average common shares – Basic	8,230,100	7,216,135
– Diluted	8,650,384	7,216,135

See accompanying notes to the consolidated financial statements.

Sonic Foundry, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(in thousands)

	Years Ended September 30,	
	2021	**2020**
Net income (loss)	$ 3,077	$ (179)
Other comprehensive loss		
Foreign currency translation adjustment	(156)	84
Comprehensive income (loss)	$ 2,921	$ (95)

See accompanying notes to the consolidated financial statements.

Sonic Foundry, Inc.
Consolidated Statements of Stockholders' Equity (Deficit)
(in thousands)

	Preferred stock	Common stock	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss	Treasury stock	Total
Balance, September 30, 2019	$ -	$ 67	$ 203,735	$ (209,340)	$ (546)	$ (169)	$ (6,253)
Stock compensation	—	—	158	—	—	—	158
Issuance of common stock and warrants	—	2	135	—	—	—	137
Common stock issued for extinguishment of related-party debt	—	11	4,994	—	—	—	5,005
Foreign currency translation adjustment	—	—	—	—	84	—	84
Net loss	—	—	—	(179)	—	—	(179)
Balance, September 30, 2020	—	80	209,022	(209,519)	(462)	(169)	(1,048)
Stock compensation	—	—	487	—	—	—	487
Issuance of common stock and warrants	—	11	3,769	—	—	—	3,780
Foreign currency translation adjustment	—	—	—	—	(156)	—	(156)
Net income	—	—	—	3,077	—	—	3,077
Balance, September 30, 2021	—	91	213,278	(206,442)	(618)	(169)	6,140

See accompanying notes to the consolidated financial statements.

Sonic Foundry, Inc.
Consolidated Statements of Cash Flows
(in thousands)

	Years Ended September 30,	
	2021	2020
Operating activities		
Net Income (Loss)	$ 3,077	$ (179)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization of other intangibles	49	231
Depreciation and amortization of property and equipment	1,263	889
Loss on sale of fixed assets	37	—
Provision for doubtful accounts	25	111
(Recovery of) Provision for inventory reserve	(16)	122
Loss on extinguishment of related party debt for equity	—	26
Stock-based compensation expense related to stock options	487	158
Stock issued for board of director's fees	70	63
Deferred loan interest to related party	—	317
Remeasurement (gain) loss on derivative liability	(13)	57
Gain on debt forgiveness	(2,325)	—
Changes in operating assets and liabilities:		
Accounts receivable	821	268
Inventories	734	(729)
Investment in sales-type lease	(452)	(48)
Capitalized commissions	104	30
Prepaid expenses and other current assets	(121)	(57)
Right-of-use assets under operating leases	(387)	492
Operating lease obligations	445	(528)
Other long-term assets	(438)	—
Accounts payable and accrued liabilities	(989)	1,503
Other long-term liabilities	(110)	(2)
Unearned revenue	(1,015)	617
Net cash provided by (used in) operating activities	1,246	3,341
Investing activities		
Purchases of property and equipment	(1,482)	(1,736)
Net cash used in investing activities	(1,482)	(1,736)
Financing activities		
Proceeds from notes payable	—	3,157
Payments on notes payable	(935)	(1,358)
Proceeds from issuance of common stock	3,710	73
Payments on capital lease and financing arrangements	(120)	(202)
Net cash provided by financing activities	2,655	1,670
Changes in cash and cash equivalents due to changes in foreign currency	(49)	49
Net increase in cash and cash equivalents	2,370	3,324
Cash and cash equivalents at beginning of year	7,619	4,295
Cash and cash equivalents at end of year	$ 9,989	$ 7,619
Supplemental cash flow information:		

See accompanying notes to the consolidated financial statements.

Interest paid	$ 32	$ 148
Income taxes paid, foreign	97	154
Non-cash financing and investing activities:		
Property and equipment financed by finance lease or accounts payable	152	724
Common stock issued for extinguishment of related party debt	—	5,005

See accompanying notes to the consolidated financial statements.

1. Basis of Presentation and Significant Accounting Policies

Business

Sonic Foundry, Inc. (the Company) is in the business of providing video enterprise solutions and services for the digital-first, distance learning and corporate communications market.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries, Sonic Foundry Media Systems, Inc., Sonic Foundry International B.V. (formerly Media Mission B.V.) and Mediasite K.K. All significant intercompany transactions and balances have been eliminated. Certain prior year amounts have been reclassified to conform with current year presentation.

Use of Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America (US GAAP), management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expense during the period. Actual results could differ from those estimates.

Assets Recognized from the Costs to Obtain a Contract with a Customer

Sales commissions and related expenses are considered incremental and recoverable costs of acquiring customer contracts. These costs are capitalized and amortized on a straight-line basis over the anticipated period of benefit, which we have determined to be the contract period, typically around 12 months. Assets recorded are included in current assets and other long-term assets. Amortization expense is recorded in sales and marketing expense within our consolidated statement of operations. We calculate a quarterly average percentage based on actual commissions incurred on billings during the same period and apply that percentage to the respective periods' unearned revenues to determine the capitalized commission amount.

Revenue Recognition

We generate revenues in the form of hardware sales of our Mediasite recorder and Mediasite related products, such as our server software and other software licenses and related customer support and services fees, including hosting, installations and training, and events services. Software license revenues include fees from sales of perpetual and term licenses. Maintenance and services revenues primarily consist of fees for maintenance services (including support and unspecified upgrades and enhancements when and if they are available), hosting, installation, training and other professional services.

Invoices are billed when a customer contract, purchase order or signed quote is obtained from the customer. No revenue is recognized prior to such a customer authorization. In some renewal circumstances, we continue to provide services, typically customer support, during the period when our sales team is working to obtain a customer authorization to avoid customer attrition. Typically, we would bill for this period such that the customer support contract does not lapse. Consistent with historical company practices, we would recognize revenue for the periods where services have already been rendered once customer authorization has occurred.

Products

Products are considered delivered, and revenue is recognized, when title and risk of loss have been transferred to the customer or upon customer acceptance if non-delivered products or services are essential to the functionality of delivered products. Under the terms and conditions of the sale, this occurs at the time of shipment to the customer. Product revenue currently represents sales of our Mediasite recorder and Mediasite related products such as our server software and other software licenses.

Services

The Company sells support and content hosting contracts to our customers, typically one year in length, and records the related revenue ratably over the contractual period. Our support contracts cover phone and electronic technical support availability over and above the level provided by our dealers, software upgrades on a when-and-if-available basis, advance hardware replacement and an extension of the standard hardware warranty from 90 days to one year. The manufacturers the Company contracts with to build the units provide a limited one-year warranty on the hardware. The Company also sells installation, training, event webcasting, and customer content hosting services. Revenue for those services is recognized when performed in the case of installation, training and event webcasting services. Occasionally, the Company will sell customization services to enhance the server software. Revenue from those services is recognized when performed, if perfunctory, or under contract accounting. Service amounts invoiced to customers in excess of revenue recognized are recorded as deferred revenue until the revenue recognition criteria are met.

Revenue Recognition

In accordance with ASC Topic 606, Revenue from Contracts with Customers ("ASC 606"), revenues are recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration to which we expect to be entitled in exchange for those goods and services. To achieve this core principle, we apply the following five steps:

1. *Identify the contract with a customer.* A contract with a customer exists when: (1) we and the customer have approved the contract and both parties are committed to perform their respective obligations; (2) we can identify each party’s rights regarding the products or services to be transferred; (3) we can identify the payment terms for the products or services to be transferred; (4) the contract has commercial substance as our future cash flows are expected to change; and (5) it is probable that we will collect substantially all of the consideration to which we are entitled in exchange for the products or services. Any subsequent contract modifications are analyzed to determine the treatment of the contract modification as a separate contract, prospectively or through a cumulative catch-up adjustment.
2. *Identify the performance obligations in the contract.* Performance obligations are promises to transfer a good or service to the customer. Performance obligations may be each individual promise in a contract, or may be groups of promises within a contract that significantly affect one another. To the extent a contract includes multiple promises, we must apply judgment to determine whether promises are capable of being distinct and distinct in the context of the contract. If these criteria are not met, the promises are accounted for as a combined performance obligation.
3. *Determine the transaction price.* The transaction price is the total amount of consideration to which we expect to be entitled in exchange for transferring promised products and services to a customer.
4. *Allocate the transaction price to performance obligations in the contract.* The allocation of the transaction price to performance obligations is generally done in proportion to their standalone selling prices (“SSP”). SSP is the price that we would sell a distinct product or service separately to a customer and is determined at contract inception. If SSP is not available through the analysis of observable inputs, this step is subject to significant judgment and additional analysis so that we can establish an estimated SSP. The estimated SSP considers historical information, including demand, trends and information about the customer or class of customers.

5. *Recognize revenues when or as the company satisfies a performance obligation.* We recognize revenues when, or as, distinct performance obligations are satisfied by transferring control of the product or service to the customer. A performance obligation is considered transferred when the customer obtains control of the product or service. Transfer of control is typically evaluated from the customer's perspective. At contract inception, we determine whether we satisfy the performance obligation over time or at a point in time. Revenue is recognized when performance obligations are satisfied.

Our contract payment terms are typically net 30 days. We assess collectability based on a number of factors including collection history and creditworthiness of the customer, and we may mitigate exposures to credit risk by requiring payments in advance. If we determine that collectability related to a contract is not probable, we may not record revenue until collectability becomes probable later.

Our revenues are recorded based on the transaction price excluding amounts collected on behalf of third parties such as sales taxes, which are collected on behalf of and remitted to governmental authorities.

Nature of Products and Services

Certain software licenses are sold either on-premise or through term-based hosting agreements. These hosting arrangements provide customers with the same product functionality and differ mainly in the duration over which the customer benefits from the software. We deliver our software licenses electronically. Electronic delivery occurs when we provide the customer with access to the software and license key via a secure portal. Revenue from on-premise software licenses is generally recognized upfront at the point in time when the software is made available to the customer. Revenue from term-based hosted licenses are recognized ratably over the term of the agreement.

Our contracts with customers for on-premise and hosted software licenses include maintenance services and may also include training and/or professional services. Maintenance services agreements consist of fees for providing software updates on an if and when available basis and for providing technical support for software products for a specified term. We believe that our software updates and technical support each have the same pattern of transfer to the customer and are substantially the same. Therefore, we consider these updates and technical support to be a single distinct performance obligation. Revenues allocated to maintenance services are recognized ratably over the term of the agreement. Revenues related to training services are billed on a fixed fee basis and are recognized as the services are delivered. Payments received in advance of services performed are deferred and recognized when the related services are performed. Revenues related to professional services are recognized as the services are performed.

In the case of the Company's hardware products with embedded software, the Company has determined that the hardware and software components function together to deliver the product's essential functionality, and therefore, are considered to be one performance obligation. The revenue from the sale of these products along with other products and services we provide requires an allocation of transaction price based on the stand-alone selling price of each component.

The Company also offers hosting services bundled with events services. The Company recognizes events revenue when the event takes place and recognizes the hosting revenue over the term of the hosting agreement.

Judgments and Estimates

Our contracts with customers often include promises to transfer multiple products and services. Determining whether products and services are considered distinct performance obligations that should be accounted for separately from one another sometimes requires judgment.

Judgment is required to determine standalone selling prices ("SSP") for each distinct performance obligation. We typically have more than one SSP for each of our products and services based on customer stratification, which is based on the size of the customer, their geographic region and market segment. We use a cost plus margin approach to determine SSPs for hardware. We use historical sales data to determine SSPs for perpetual software licenses. For both on-premise and term-hosted agreements, events services, training and professional services, SSPs are generally observable using internally developed pricing calculators and/or price sheets. For maintenance services, SSPs are generally observable using historical renewal data.

Concentration of Credit Risk and Other Risks and Uncertainties

At September 30, 2021, $6.2 million is deposited with one major U.S. financial institution of the $10.0 million total cash and equivalents. At times, deposits in the institution exceed the amount of insurance provided on such deposits. The Company has not experienced any losses on such amounts and believes that it is not exposed to any significant credit risk on these balances. The remaining $3.8 million of cash and cash equivalents is held by our foreign subsidiaries in financial institutions in Japan and the Netherlands and held in their local currency. The cash held in foreign financial institutions is not insured. If the funds held by our foreign subsidiaries were needed for our operations in the United States, the repatriation of some of these funds to the United States could require payment of additional U.S. taxes.

The Company's wholly-owned subsidiaries operate in Japan and the Netherlands, and utilize the Japanese Yen and Euro, respectively, as their functional currency. Assets and liabilities of the Company's foreign operations are translated into US dollars at period end exchange rates while revenues and expenses are translated using average rates for the period. Gains and losses from the translation are deferred and included in accumulated other comprehensive loss on the consolidated statements of comprehensive gain (loss).

During fiscal 2021, the Company recorded an aggregate transaction gain of $16 thousand compared to an aggregate loss of $36 thousand during fiscal 2020. The aggregate transaction gain or loss is included in the other expense, net line of the consolidated statements of operations.

We assess the realization of our receivables by performing ongoing credit evaluations of our customers' financial condition. Through these evaluations, we may become aware of a situation where a customer may not be able to meet its financial obligations due to deterioration of its financial viability, credit ratings or bankruptcy. Our reserve requirements are based on the best information available to us and are reevaluated and adjusted as additional information is received. Our reserves are also based on amounts determined by using percentages applied to certain aged receivable categories. These percentages are determined by a variety of factors including, but not limited to, current economic trends, historical payment and bad debt write-off experience. Allowance for doubtful accounts for accounts receivable was $261 thousand at September 30, 2021 and $236 thousand at September 30, 2020.

Currently the majority of our product inventory purchases are from one third-party contract manufacturer. Although we believe there are multiple sources of supply from other contract manufacturers as well as multiple suppliers of component parts required by the contract manufacturers, a disruption of supply of component parts or completed products, even if short term, would have a material negative impact on our revenues. At September 30, 2021, this supplier represented less than 1% of accounts payable while totaling approximately 33% at September 30, 2020. We also license technology from third parties that is embedded in our software. We believe there are alternative sources of similar licensed technology from other third parties that we could also embed in our software, although it could create potential programming related issues that might require engineering resources.

Cash and Cash Equivalents

The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents.

Trade Accounts Receivable

The majority of the Company's accounts receivable are due from entities in, or distributors or value-added resellers to, the education, corporate and government sectors. Credit is extended based on evaluation of a customer's financial condition and, generally, collateral is not required. Accounts receivable are typically due within 30 days and are stated at amounts due from customers net of an allowance for doubtful accounts. Accounts outstanding longer than the contractual payment terms are considered to be past due. The Company determines its allowance by considering a number of factors, including the length of time trade accounts receivable are past due, the Company's previous loss history, the customer's current ability to pay its obligation to the Company, and the condition of the general economy and the industry as a whole. The Company writes-off accounts receivable when they become uncollectible, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts. Interest is not accrued on past due receivables.

Investment in Sales-Type Lease

The Company has entered into sales-type lease arrangements with certain customers, consisting of recorders leased with terms ranging from 3-5 years.

Investment in sales-type leases consisted of the following (in thousands) as of September 30, 2021:

Investment in sales-type lease, gross:		
2022	$	294
2023		203
2024		203
2025		83
Gross investment in sales-type lease		783
Less: Unearned income		—
Total investment in sales-type lease	$	783
Current portion of total investment in sales-type lease	$	294
Long-term portion of total investment in sales-type lease		490
	$	784

Inventory

Inventory consists of raw materials and supplies used in the assembly of Mediasite recorders and finished units. Inventory of completed units and spare parts are carried at the lower of cost or net realizable value, with cost determined on a first-in, first-out basis.

Inventory consists of the following (in thousands):

	September 30, 2021	September 30, 2020
Raw materials and supplies	$ 301	$ 267
Finished goods	247	1,022
Less: Obsolescence reserve	(106)	(122)
Inventories	$ 442	$ 1,167

Software Development Costs

Software development costs incurred in conjunction with product development are charged to research and development expense until technological feasibility is established. Thereafter, until the product is released for sale, software development costs are capitalized and reported at the net realizable value of the related product. Typically, the period between achieving technological feasibility of the Company's products and the general availability of the products has been short. Consequently, software development costs qualifying for capitalization are typically immaterial and are generally expensed to research and development costs.

Property and Equipment

Property and equipment are recorded at cost and are depreciated using the straight-line method for financial reporting purposes. The estimated useful lives used to calculate depreciation are as follows:

	Years (In Years)
Leasehold improvements	5 to 15
Computer equipment	1.5 to 5
Furniture and fixtures	3 to 15

Depreciation expense is not included in cost of good sold.

Impairment of Long-Lived Assets

Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable based on expected undiscounted cash flows attributable to that asset. Key assumptions utilized in the analysis of undiscounted cash flows for each asset or asset group being tested included 1) whether cash flows were attributable solely to the asset or group, or to an entire reporting unit; and 2) the useful lives of the asset or asset group. Forecasts used in the analysis were also consistent with those used in determining fair value of reporting units during goodwill impairment testing.

Asset Retirement Obligation

An asset retirement obligation ("ARO") associated with the retirement of a tangible long-lived asset is recognized as a liability in the period in which it is incurred or becomes determinable, with an associated increase in the carrying amount of the related long-term asset. The cost of the tangible asset, including the initially recognized asset retirement cost, is depreciated over the useful life of the asset. As of September 30, 2021, the Company has recorded a liability of $129 thousand for retirement obligations associated with returning the MSKK leased property to the respective lessors upon the termination of the lease arrangement.

A summary of the changes in the ARO is included in the table below (amounts in thousands):

Asset retirement obligation at September 30, 2019	$ 129
Accretion expense	2
Foreign currency changes	3
Asset retirement obligation at September 30, 2020	134
Accretion expense	2
Foreign currency changes	(7)
Asset retirement obligation at September 30, 2021	$ 129

Comprehensive Income (Loss)

Comprehensive income (loss) includes disclosure of financial information that historically has not been recognized in the calculation of net income. Our comprehensive income (loss) encompasses net income (loss) and foreign currency translation adjustments. Assets and liabilities of international operations that have a functional currency that is not in U.S. dollars are translated into U.S. dollars at year-end exchange rates, and revenue and expense items are translated using weighted average exchange rates. Any adjustments arising on translation are included in stockholders' equity (deficit) as an element of accumulated other comprehensive loss.

Advertising Expense

Advertising costs included in selling and marketing, are expensed when the advertising first takes place. Advertising expense was $439 thousand and $395 thousand for years ended September 30, 2021 and 2020, respectively.

Research and Development Costs

Research and development costs represent product development and are expensed in the period incurred, unless they meet the criteria for capitalized software development costs.

Income Taxes

Deferred tax assets and liabilities are determined based on differences between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. We do not provide for U.S. income taxes on the undistributed earnings of our foreign subsidiaries, which we consider to be permanently invested outside of the U.S.

We make judgments regarding the realizability of our deferred tax assets. The balance sheet carrying value of our net deferred tax assets is based on whether we believe that it is more likely than not that we will generate sufficient future taxable income to realize these deferred tax assets after consideration of all available evidence. We regularly review our deferred tax assets for recoverability considering historical profitability, projected future taxable income, the expected timing of the reversals of existing temporary differences and tax planning strategies. In assessing the need for a valuation allowance, we consider both positive and negative evidence related to the likelihood of realization of the deferred tax assets. The weight given to the positive and negative evidence is commensurate with the extent to which the evidence may be objectively verified. As such, it is generally difficult for positive evidence regarding projected future taxable income exclusive of reversing taxable temporary differences to outweigh objective negative evidence of recent financial reporting losses. Generally, cumulative losses in recent years is a significant piece of negative evidence that is difficult to overcome in determining that a valuation allowance is not needed.

As of September 30, 2021 and 2020, valuation allowances have been established for all U.S. and for certain foreign deferred tax assets which we believe do not meet the “more likely than not” criteria for recognition.

The Company also accounts for the uncertainty in income taxes related to the recognition and measurement of a tax position and measurement of a tax position taken or expected to be taken in an income tax return. The Company follows the applicable accounting guidance on derecognition, classification, interest and penalties, accounting in interim periods and disclosure related to the uncertainty in income tax positions.

Fair Value of Financial Instruments

In determining the fair value of financial assets and liabilities, the Company currently utilizes market data or other assumptions that it believes market participants would use in pricing the asset or liability in the principal or most advantageous market, and adjusts for non-performance and/or other risk associated with the Company as well as counterparties, as appropriate. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

Level 1 Inputs: Unadjusted quoted prices which are available in active markets for identical assets or liabilities accessible to the Company at the measurement date.

Level 2 Inputs: Inputs other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

The hierarchy gives the highest priority to Level 1, as this level provides the most reliable measure of fair value, while giving the lowest priority to Level 3.

Financial Liabilities Measured at Fair Value on a Recurring Basis

The fair value of the bifurcated conversion feature represented by the warrant derivative liability associated with the PFG debt is measured at fair value on a recurring basis based on a Black Scholes option pricing model with assumptions for stock price, exercise price, volatility, expected term, risk free interest rate and dividend yield similar to those described for share-based compensation which were generally observable (Level 2).

Financial liabilities measured at fair value on a recurring basis are summarized below (in thousands):

September 30, 2021	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Derivative liability	$ —	$ 53	$ —	$ 53

September 30, 2020	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Derivative liability	$ —	$ 66	$ —	$ 66

The gain or loss related to the fair value remeasurement on the derivative liability is included in the other income (expense) line on the Consolidated Statements of Operations.

Financial Liabilities Measured at Fair Value on a Nonrecurring Basis

The initial fair values of PFG debt and warrant debt (see Note 3) were based on the present value of expected future cash flows and assumptions about current interest rates and the creditworthiness of the Company (Level 3).

The Burish warrant was measured at fair value using a Black Scholes model and the remaining fair value was allocated to the related Burish note purchase agreement (see Note 3) which management believes materially approximated the fair value based on calculating the present value of expected future cash flows (Level 3). The non-recurring fair value measurements were performed as of the date of issuance of the note purchase agreement and warrant. The discount was being amortized over the life of the related debt until the May 2020 Burish debt to equity conversion.

Financial Instruments Not Measured at Fair Value

The Company's other financial instruments consist primarily of cash and cash equivalents, accounts receivable, investment in sales-type lease, accounts payable and debt instruments and lease obligations. The book values of cash and cash equivalents, accounts receivable, investment in sales-type lease, and accounts payable are considered to be representative of their respective fair values due their short term nature. The carrying value of lease obligations and debt including the current portion, approximates fair market value as the variable and fixed rate approximates the current market rate of interest available to the Company.

Legal Contingencies

When legal proceedings are brought or claims are made against the Company and the outcome is uncertain, we are required to determine whether it is probable that an asset has been impaired or a liability has been incurred. If such impairment or liability is probable, and the amount of loss can be reasonably estimated, the loss must be charged to earnings.

No legal contingencies were recorded for either of the years ended September 30, 2021 or 2020.

Stock-Based Compensation

The Company uses a lattice valuation model to account for all employee stock options granted. The lattice valuation model is a more flexible analysis to value options because of its ability to incorporate inputs that change over time, such as actual exercise behavior of option holders. The Company uses historical data to estimate the option exercise and employee departure behavior in the lattice valuation model. Expected volatility is based on historical volatility of the Company's stock. The Company considers all employees to have similar exercise behavior and therefore has not identified separate homogeneous groups for valuation. The expected term of options granted is derived from the output of the option pricing model and represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods the options are expected to be outstanding is based on the U.S. Treasury yields in effect at the time of grant. Forfeitures are based on actual behavior patterns. The expected exercise factor and forfeiture rates are calculated using historical exercise and forfeiture activity for the previous three years.

The fair value of each option grant is estimated using the assumptions in the following table:

	Years Ending September 30,	
	2021	**2020**
Expected life (years)	4.3-5.3 years	4.5 - 4.8
Risk-free interest rate	0.33% - 0.59%	0.24% - 1.63%
Expected volatility	65.00% - 83.29%	72.40% - 82.38%
Expected forfeiture rate	14.18%- 16.41%	12.76% - 15.38%
Expected exercise factor	1.2 - 1.87	1.2
Expected dividend yield	—%	—%

Preferred Stock and Dividends

The Company considered relevant guidance when accounting for the issuance of preferred stock, and determined that the preferred shares met the criteria for equity classification. Dividends accrued on preferred shares will be shown as a reduction to net income (or an increase in net loss) for purposes of calculating earnings per common share. See Note 5 - Stockholders' Equity (Deficit) for further details.

Per Share Computation

Basic earnings (loss) per share has been computed using the weighted-average number of shares of common stock outstanding during the period, less shares that may be repurchased, and excludes any dilutive effects of options and warrants. In periods where the Company reports net income, diluted net income per share is computed using common equivalent shares related to outstanding options and warrants to purchase common stock. The numerator for the calculation of basic and diluted earnings per share is net income (loss) attributable to common stockholders. The following table sets forth the computation of basic and diluted weighted average shares used in the earnings per share calculations:

	Years Ending September 30,	
	2021	**2020**
Denominator for basic earnings (loss) per share -weighted average common shares	8,230,100	7,216,135
Effect of dilutive options and warrants (treasury method)	420,284	—
Denominator for diluted earnings (loss) per share -adjusted weighted average common shares	8,650,384	7,216,135
Options and warrants outstanding during each year, but not included in the computation of diluted earnings (loss) per share because they are antidilutive	1,333,174	2,006,073

Liquidity

At September 30, 2021 approximately $3.8 million of cash and cash equivalents was held by the Company's foreign subsidiaries.

The Company believes its cash position plus available resources is adequate to accomplish its business plan through at least the next twelve months. We will likely evaluate operating and finance lease opportunities to finance equipment purchases in the future. We may also seek additional equity financing, but there are no assurances that these will be on terms acceptable to the Company.

Restructuring and exit activities

The determination of when the Company accrues for involuntary termination benefits under restructuring plans depends on whether the termination benefits are provided under an on-going benefit arrangement or under a one-time benefit arrangement. The Company accounts for on-going benefit arrangements, such as those documented by employment agreements, in accordance with Accounting Standards Codification 712 ("ASC 712") *Nonretirement Postemployment Benefits.* Under ASC 712, liabilities for postemployment benefits are recorded at the time the obligations are probable of being incurred and can be reasonably estimated. The Company accounts for one-time employment benefit arrangements in accordance with ASC 420 *Exit or Disposal Cost Obligations.* When applicable, the Company records such costs into operating expense.

During the year ended September 30, 2021, the Company had no involuntary termination benefits under ASC 712, compared to $705 thousand in the prior year.

During the year ended September 30, 2021, the Company expensed $157 thousand termination benefits under ASC 420, compared to none in the prior year.

Recent Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes", ("ASU 2019-12"). The amendments in this ASU affect entities within the scope of Topic 740. For public business entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2020. Early adoption of the amendments is permitted, including adoption in any interim period for public entities for periods for which financial statements have not yet been issued. An entity that elects to early adopt the amendments in an interim period should reflect any adjustments as of the beginning of the annual period that includes that interim period. An entity that elects early adoption much adopt all the amendments in the same period. The Company is currently evaluating the guidance and no material impact on the financial statements is expected.

In June 2016, the FASB issued ASU 2016-13, "Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments", ("ASU 2016-13"). The amendments in this ASU affect entities holding financial assets and net investment in leases that are not accounted for at fair value through net income. The amendments affect loans, debt securities, trade receivables, net investments in leases, off-balance-sheet credit exposures, reinsurance receivables, and any other financial assets not excluded from the scope that have the contractual right to receive cash. The amendments are effective for the Company for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early adoption of the amendment is permitted, including adoption in any interim periods for which financial statement have not yet issued. The Company is currently evaluating the guidance and its impact to the financial statements.

Accounting standards that have been issued but are not yet effective by the FASB or other standards-setting bodies that do not require adoption until a future date, which are not discussed above, are not expected to have a material impact on the Company's financial statements upon adoption.

2. Commitments

Leases

The Company has operating leases for corporate office space with various expiration dates. Our leases have remaining lease terms of up to three years, some of which include escalation clauses, renewal options for up to twelve years or termination options within one year.

We determine if an arrangement is a lease upon contract inception. The Company has both operating and finance leases. Right-of-use assets represent our right to use an underlying asset for the lease term, and lease liabilities represent our obligation to make lease payments according to the arrangement.

A contract contains a lease if the contract conveys the right to control the use of the identified property, plant or equipment for a period of time in exchange for consideration. At commencement, contracts containing a lease are further evaluated for classification as an operating or finance lease where the Company is a lessee, or as an operating, sales-type or direct financing lease where the Company is a lessor, based on their terms.

Lease right-of-use assets and lease liabilities are recognized as of the commencement date based on the present value of the lease payments over the lease term. The lease right-of use asset is reduced for tenant incentives and includes any initial direct costs incurred. We use the implicit rate when it is readily determinable. Otherwise, the present value of future minimum lease payments is determined using the Company's incremental borrowing rate. The incremental borrowing rate is based on the interest rate of the Company's most recent borrowing.

The lease term we use for the valuation of our right-of-use assets and lease liabilities may include options to extend or terminate the lease when it is reasonably certain that we will exercise those options. Lease expense is recognized on a straight-line basis over the expected lease term for operating leases. Amortization expense of the right-of-use asset for finance leases is recognized on a straight-line basis over the lease term and interest expense for finance leases is recognized based on the incremental interest rate.

Right-of-use assets and lease liabilities are recognized for our leases. Right-of-use assets under finance leases are included in property and equipment on the consolidated balance sheets and have a net carrying value of $90 at September 30, 2021 and $191 thousand at September 30, 2020.

We have operating lease arrangements with lease and non-lease components. The non-lease components in our arrangements are not significant when compared to the lease components. For all operating leases, we account for the lease and non-lease components as a single component.

As of September 30, 2021, future maturities of operating and finance lease liabilities for the fiscal years ended September 30 are as follows (in thousands):

	Operating Leases	Finance Leases
2022	$ 1,008	$ 83
2023	862	11
2024	697	9
2025	33	4
2026	8	3
Thereafter	57	—
Total	2,665	110
Less: imputed interest	(152)	(5)
Total	$ 2,513	$ 105

Supplemental information related to leases is as follows (in thousands, except lease term and discount rate):

	Fiscal Year Ended	
	September 30, 2021	September 30, 2020
Operating lease costs	$ 1,493	$ 1,383
Variable operating lease costs	(254)	37
Total operating lease cost	$ 1,239	$ 1,420
Finance lease cost:		
Amortization of right-of-use assets	$ 121	$ 186
Interest on lease liabilities	10	21
Total finance lease cost	$ 131	$ 207

Variable lease costs include operating costs for U.S. office lease based on square footage and Consumer Price Index ("CPI") rent escalation and related VAT for office lease in the Netherlands. The negative amount for variable operating lease costs is due to the COVID-19 rent credit the Company received.

Supplemental cash flow information related to operating and finance leases were as follows (in thousands):

	Fiscal Year Ended	
	September 30, 2021	September 30, 2020
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows for operating leases	$ 1,163	$ 1,387
Operating cash outflows for finance leases	10	21
Financing cash outflows for finance leases	120	202

Other information related to leases was as follows:

	September 30, 2021	September 30, 2020
Weighted average remaining lease term (in years)		
Operating leases	2.9	2.3
Finance leases	1.9	1.9
Weighted average discount rate		
Operating leases	4.05%	9.11%
Finance leases	6.41%	8.65%

Other Commitments

The Company enters into unconditional purchase commitments on a regular basis for the supply of Mediasite product for hardware inventory, as well as services to support our hosting environment, which are not recorded on the Company's Consolidated Balance Sheet. At September 30, 2021, the Company has an obligation to purchase $3,155 thousand of Mediasite product and $245 thousand of services during fiscal year 2022, and $168 thousand in services during fiscal 2023.

Effective January 1, 2022, the Company's operations in Japan will move to a new leased facility of 7,870 square feet which will expire on December 31, 2023. The monthly rent will be approximately $33 thousand per month. This lease liability is not included on the balance sheet nor is it part of the future minimum lease payments shown above.

3. Credit Arrangements

Partners for Growth V, L.P.

On May 11, 2018, Sonic Foundry, Inc., entered into a Loan and Security Agreement (the "2018 Loan and Security Agreement") with Partners for Growth V, L.P. ("PFG V").

The 2018 Loan and Security Agreement provided for a Term Loan ("Term Loan") in the amount of $2,500,000, which was disbursed in two (2) Tranches as follows: Tranche 1 was disbursed on May 14, 2018 in the amount of $2,000,000; and Tranche 2 in the amount of $500,000, was disbursed on November 8, 2018. Each tranche of the Term Loan beared interest at 10.75% per annum. Tranche 1 of the Term Loan was payable interest only until November 30, 2018. Thereafter, principal was due in 30 equal monthly principal installments, plus accrued interest, beginning December 1, 2018 through May 1, 2021, when the principal balance was due in full. Tranche 2 of the Term Loan was payable using the same repayment schedule as Tranche 1. Upon maturity, Sonic Foundry was required to pay PFG V a cash fee of $150,000. The principal of the Term Loan may have been prepaid at any time without penalty as of May 14, 2019. The Term Loan was collateralized by substantially all the Company's assets, including intellectual property.

Coincident with execution of the 2018 Loan and Security Agreement, the Company entered into a Warrant Agreement ("Warrant") with PFG V. Pursuant to the terms of the Warrant, the Company issued to PFG V a warrant to purchase up to 66,000 shares of common stock of the Company at an exercise price of $2.57 per share, subject to certain adjustments. Pursuant to the Warrant, PFG V is also entitled, under certain conditions, to require the Company to exchange the Warrant for the sum of $250,000. All warrants issued in connection with PFG V expire on May 11, 2023.

At September 30, 2021, and September 30, 2020, the estimated fair value of the derivative liability associated with the warrants issued in connection with the 2018 Loan and Security Agreement, was $53 thousand and $66 thousand, respectively. Included in other expense, the remeasurement gain on the derivative liability during fiscal year 2021 was $12 thousand, compared to remeasurement loss of $57 thousand during fiscal year, 2020.

The proceeds from the 2018 Loan and Security Agreement were allocated between the PFG V Debt and the Warrant Debt (inclusive of its conversion feature) based on their relative fair value on the date of issuance which resulted in carrying values of $2.3 million and $156 thousand, respectively. The warrant debt is treated together as a debt discount on the PFG V Debt and is being accreted to interest expense under the effective interest method over the three-year term of the PFG V Debt and the five year term of the Warrant Debt. During fiscal 2021, the Company recorded accretion of discount expense associated with the warrants issued with PFG V loan of $27 thousand compared to $23 thousand in fiscal 2020.

In addition, $34 thousand of amortization of the debt discount was recorded for the year ended September 30, 2021, compared to $56 thousand last year. Effective May 11, 2021, the PFG V Debt fully matured and the carrying value of the Warrant Debt (inclusive of its conversion feature) was $198 thousand. In addition, the Company paid PFG V a cash fee of $150,000 at the time of maturity (the "back-end fee"). At September 30, 2021, there was no balance outstanding on the term debt with PFG V. At September 30, 2020, a gross balance of $667 thousand was outstanding with PFG V.

February 28, 2019 Burish Note Purchase Agreement

On January 4, 2019, Sonic Foundry, Inc. and Mr. Mark Burish ("Mr. Burish") entered into a Promissory Note (the "Promissory Note") pursuant to which Mr. Burish purchased a 9.25% Unsecured Promissory Note for $1,000,000 in cash. Interest accrued and outstanding principal on the Promissory Note was due and payable on January 4, 2020. The Promissory Note could be prepaid at any time without penalty. The Promissory Note was later included in the Note Purchase Agreement, dated February 28, 2019, as detailed below.

On January 31, 2019, Sonic Foundry, Inc. and Mr. Burish entered into a Promissory Note (the "January 31, 2019 Promissory Note") pursuant to which Mr. Burish purchased a 9.25% Unsecured Promissory Note for $1,000,000 in cash. Interest accrued and outstanding principal on the January 31, 2019 Promissory Note was due and payable on January 31, 2020. The January 31, 2019 Promissory Note could be prepaid any time without penalty. The note could be paid by the Company by issuing common stock to Mr. Burish, with each share valued at $1.30 per share. The January 31, 2019 Promissory Note was later included in the Note Purchase Agreement, dated February 28, 2019, as detailed below.

On February 14, 2019, Sonic Foundry, Inc. and Mr. Burish entered into a Promissory Note (the "February 14, 2019 Promissory Note") pursuant to which Mr. Burish purchased a 9.25% Unsecured Promissory Note for $1,000,000 in cash. Interest accrued and outstanding principal on the February 14, 2019 Promissory Note was due and payable on February 14, 2020. The February 14, 2019 Promissory Note could be prepaid any time without penalty. The note could be paid by the Company by issuing common stock to Mr. Burish with each share valued at $1.30 per share. The February 14, 2019 Promissory Note was later included in the Note Purchase Agreement, dated February 28, 2019, as detailed below.

Mr. Burish beneficially owns more than 5% of the Company's common stock and also serves as the Chairman of the Board of Directors.

February 28, 2019 Note Purchase Agreement

On February 28, 2019, Sonic Foundry, Inc. entered into a Note Purchase Agreement (the "Note Purchase Agreement") with Mr. Burish.

The Note Purchase Agreement provided for subordinated secured promissory notes (the "Subordinated Promissory Notes") in an aggregate original principal amount of up to $5,000,000. Mr. Burish acquired from the Company (a) on the initial closing date, the notes in an aggregate principal amount of $3,000,000 (the "Initial Notes") and (b) two additional tranches, each in the amount of $1,000,000 and payable at any time prior to the first anniversary of the Agreement (the "Additional Notes" and together with the Initial Notes, collectively, the "Purchase Price"). The Initial Notes were previously disbursed in January and February of 2019, as detailed above (the Promissory Note, the January 31st, 2019 Promissory Note, and the February 14, 2019 Promissory Note, collectively referred to as the "Initial Notes"). The fourth tranche was disbursed on March 13, 2019 and the fifth and final tranche was disbursed on April 4, 2019.

The Subordinated Promissory Notes accrued interest at the variable per annum rate equal to the Prime Rate (as defined) plus four percent (4.00%). The outstanding principal balance of the Subordinated Promissory Notes, plus all unpaid accrued interest, plus all outstanding and unpaid obligations, was set to mature on February 28, 2024 (the "Maturity Date"). Principal installments of $100,000 began monthly on August 31, 2020 and continued through the Maturity Date. The Note Purchase Agreement dated February 28, 2019 was subordinated to the existing PFG loan.

At each anniversary of the Closing, an administration fee was payable to Mr. Burish equal to 0.5% of the purchase price less principal payments made.

The proceeds from the Note Purchase Agreement were allocated between the Subordinated Promissory Notes and the Warrant debt based on their relative fair value on the date of issuance. The warrant debt was treated together as a debt discount on the Subordinated Notes Payable and was accreted to interest expense under the effective interest rate method over the five-year term of the

Subordinated Notes Payable. During fiscal 2021, the Company recorded accretion of discount expense associated with the Subordinated Promissory Notes of $0 compared to $87 thousand in fiscal 2020.

May 13, 2020 Debt Conversion Agreement

On May 13, 2020, the Company entered into a debt conversion agreement with Mr. Burish to convert all outstanding debt owed to Mr. Burish into common stock at a conversion price of $5.00 per share. The net carrying value of $5.0 million, including principal and accrued interest of $5.6 million less debt discount and loan origination fees of $596 thousand, was converted into 1,114,723 shares of common stock. The debt conversion was treated as a debt extinguishment and resulted in a net loss of $26 thousand.

February 28, 2019 Warrant

Coincident with execution of the Note Purchase Agreement, the Company entered into a Warrant Agreement ("Warrant") with Mr. Burish. Pursuant to the terms of the Warrant, the Company issued to Mr. Burish a warrant to purchase up to 728,155 shares of common stock of the Company at an exercise price of $1.18 per share, subject to certain adjustments.

On April 25, 2019, Mr. Burish exercised his warrant to purchase 728,155 shares of common stock of the Company at an exercise price of $1.18 per share. A special committee of disinterested and independent directors approved the issuance of the Subordinated Promissory Notes and the Warrant.

Paycheck Protection Program (PPP) Loan Dated April 20, 2020

Following the approval of the Board of Directors, the Company and First Business Bank entered into a $2.3 million Promissory Note (the "Promissory Note") under the Paycheck Protection Program (PPP) contained within the new Coronavirus Aid, Relief, and Economic Security (CARES) Act. The PPP loan had a term of two years for those companies receiving loan proceeds prior to June 5, 2020, is unsecured, and is guaranteed by the U.S. Small Business Administration ("SBA"). The loan carried a fixed interest rate of 1% per annum. Under the terms of the CARES Act, the Company was eligible for and submitted its application for forgiveness of all loan proceeds on March 2, 2021. On June 14, 2021 the Company received SBA approval for forgiveness for the loan principal of $2,314,815 and $26,382 in interest.

When PPP Loan was received, US GAAP guidance for debt (ASC 470) was followed by the Company. Liability was recognized and interest was accrued over the term of the loan. Therefore, according to the guidance, the amount forgiven is recorded as gain from forgiveness of debt and the gain from forgiveness is presented on its own line within the statement of operations as other income. Previously recorded interest expense was reversed during the year ended September 30, 2021.

Line of Credit dated July 28, 2021

The Company entered into a Revolving Credit Agreement (the “Credit Agreement”) with U.S. Bank National Association (the “Bank”) on July 28, 2021. Under the Credit Agreement the Company may borrow the lesser of $3,000,000 or the applicable Borrowing Base comprised of (1) 80% of Qualified Accounts Receivable; (2) 50% of Qualified Inventory; and (3) an available over-advance of $500,000.

The Credit Agreement matures on July 28, 2022, is secured by all assets of the Company and accrues an interest rate equal to the one-month LIBOR rate plus 1.35% per annum, paid monthly. The Credit Agreement requires compliance with typical warranties and covenants including financial covenants of (1) Fixed Charge Coverage Ratio, as defined in the agreement, of at least 1.20:1 at the end of each quarter and (2) Senior Cash Flow Coverage Ratio, as defined in the agreement, of no more than 3.00:1 for each fiscal quarter.

In connection with the Credit Agreement, the Company entered into the Stock Pledge Agreement with the Bank, as a condition of the Credit Loan. Upon default, the Bank shall have the right to transfer and claim the securities of the subsidiaries, Sonic Foundry International B.V. in Netherland and Mediasite K.K. in Japan.

Other Indebtedness

On January 30, 2020, Mediasite K.K. entered into a Term Loan ("Term Loan") with Sumitomo Mitsui Banking Corporation for $460 thousand in cash. The Term loan accrues interest at an annual rate of 1.475%. Beginning in January 2020, principal payments in 12 equal monthly installments, plus accrued interest were made. The principal balance was paid in full as of December 30, 2020.

At September 30, 2021 and September 30, 2020, no balance was outstanding on the line of credit with Mitsui Sumitomo Bank. The credit facility is related to Mediasite K.K., and accrues interest at an annual rate of approximately one-and-one half percent (1.575%). The available line of credit at September 30, 2021 was $448 thousand and matures on February 28,2022.

On August 20, 2020, Mediasite K.K. and Sumitomo Mitsui Banking Corporation entered into a $379 thousand Promissory Note under an initiative by the Japanese Finance Corporation government institution in response to the Cabinet Decision entitled "Emergency Economic Measures to Cope With COVID-19." Extending financial relief to organizations impacted by COVID-19, the loan has a term of three years and carries a fixed interest rate of 0.46% per annum. Government subsidies provided through the Japanese Finance Corporations will provide interest relief throughout the term of the loan. In addition, the loan agreement includes a three year grace period with principal payments deferred through the end of the loan, which is September 30, 2023. As of September 30, 2021 the full amount of the loan has been included in long-term notes payable.

In the years ended September 30, 2021 and 2020, respectively, no foreign currency gain or loss was realized related to re-measurement of the subordinated notes payable related to the Company's foreign subsidiaries.

The annual principal payments on the outstanding notes payable and warrant debt are as follows:

Fiscal Year (in thousands)		
2022	$	—
2023		556
Total principal payments		556
Total notes payable, net of discount	$	556

4. Balance Sheet

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consists of the following (in thousands):

	September 30,			
		2021		**2020**
Prepaid expenses	$	1,097	$	873
Prepaid insurance		11		157
Other current assets		45		35
Total	$	1,153	$	1,065

Prepaid expenses are amounts paid for services covering periods of performance beyond the balance sheet date such as tradeshow fees and service agreements. Prepaid insurance represents fees paid for insurance covering periods beyond the balance sheet date.

Accrued Liabilities

Accrued liabilities consists of the following (in thousands):

	September 30,			
		2021		**2020**
Accrued compensation	$	1,530	$	1,939
Accrued expenses		590		289
Accrued interest & taxes		241		316
Other accrued liabilities		161		21
Total	$	2,522	$	2,565

The Company accrues expenses as they are incurred. Accrued compensation includes wages, vacation, commissions, bonuses, and severance. Accrued expenses is mainly related to professional fees and amounts owed to suppliers. Other accrued liabilities includes employee-related expenses.

5. Stockholders' Equity (Deficit)

Stock Options and Employee Stock Purchase Plan

On January 28, 2021, Stockholders approved adoption of the 2020 Equity Incentive Plan, (the “2020 Plan”) which replaced our 2009 Stock Incentive Plan (the "2009 Plan"). The 2009 Plan terminated coincident with the effectiveness of the 2020 Plan. The Company maintains a directors’ stock option plan under which options may be issued to purchase up to an aggregate of 150,000 shares of common stock. Each non-employee director, who is re-elected or who continues as a member of the board of directors on each annual meeting date and on each subsequent meeting of Stockholders, will be granted options to purchase 2,000 shares of common stock under the directors’ plan, or at other times or amounts at the discretion of the Board of Directors. See Note 9 - Related Party Transactions for more details on the affiliated party.

Each option entitles the holder to purchase one share of common stock at the specified option price. The exercise price of each option granted under the plans was set at the fair market value of the Company’s common stock at the respective grant date. Options vest at various intervals and expire at the earlier of termination of employment, discontinuance of service on the board of directors, ten years from the grant date or at such times as are set by the Company at the date of grant.

The Company has applied a graded (tranche-by-tranche) attribution method and expenses share-based compensation on an accelerated basis over the vesting period of the share award, net of estimated forfeitures.

The number of shares available for grant under these stockholder approved plans at September 30, is as follows:

	Qualified Employee Stock Option Plans	Director Stock Option Plan
Shares available for grant at September 30, 2019	1,013,201	45,000
Options granted	(228,750)	—
Options forfeited	127,166	10,500
Shares available for grant at September 30, 2020	911,617	55,500
Shareholder approval of 2020 Equity Incentive Stock Option Plan	1,000,000	—
Options granted	(550,467)	(28,000)
Options forfeited	258,448	46,500
Shares available for grant at September 30, 2021	1,619,598	74,000

The following table summarizes information with respect to outstanding stock options under all plans:

	Years Ended September 30,			
	2021		2020	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	1,707,515	$ 5.09	1,654,429	$ 5.62
Granted	578,467	3.42	228,750	1.86
Exercised	(127,555)	2.14	(37,998)	1.53
Forfeited	(304,948)	6.89	(137,666)	6.82
Outstanding at end of year	1,853,479	$ 4.44	1,707,515	$ 5.09
Exercisable at end of year	1,269,854		1,367,618	
Weighted average fair value of options granted during the year	$ 1.57		$ 0.84	

The weighted-average remaining contractual life of exercisable shares is 5.0 years.

The options outstanding at September 30, 2021 have been segregated into three ranges for additional disclosure as follows:

	Options Outstanding			Options Exercisable	
Exercise Prices	Options Outstanding at September 30, 2021	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable at September 30, 2021	Weighted Average Exercise Price
$0.66 to $4.81	1,334,544	7.72	$ 2.92	751,419	$ 2.86
$5.08 to $8.92	332,408	2.46	7.48	331,908	7.48
$9.08 to $10.92	186,527	2.19	9.95	186,527	9.95
	1,853,479			1,269,854	

As of September 30, 2021, there was $551 thousand of total unrecognized compensation cost related to non-vested stock-based compensation, with total forfeiture adjusted unrecognized compensation costs of $409 thousand. The cost is expected to be recognized over a weighted-average life of 2.2 years. As of September 30, 2020, there was $154 thousand of total unrecognized compensation cost related to non-vested stock-based compensation, with total forfeiture adjusted unrecognized compensation costs of $122 thousand.

A summary of the status of the Company’s non-vested shares under all plans at September 30, 2021 and for the year then ended is presented below:

	Options	Weighted Average Grant Date Fair Value
Non-vested options at October 1, 2019	357,114	$ 0.77
Granted	228,750	0.84
Vested	(219,966)	1.12
Forfeited	(26,001)	0.54
Non-vested options at September 30, 2020	339,897	0.60
Granted	578,467	1.57
Vested	(283,741)	0.98
Forfeited	(51,165)	1.09
Non-vested options at September 30, 2021	583,458	$ 1.43

Stock-based compensation recorded in the year ended September 30, 2021 was $487 thousand. Stock-based compensation recorded in the year ended September 30, 2020 was $158 thousand. Cash received from exercises under all stock option plans and warrants for the years ended September 30, 2021 and 2020 was $273 thousand and $58 thousand, respectively. There were no tax benefits realized for tax deductions from option exercises for the years ended September 30, 2021 and 2020. The Company currently expects to satisfy stock-based awards with registered shares available to be issued.

The Company also has an Employee Stock Purchase Plan (Purchase Plan) under which an aggregate of 300,000 common shares may be issued. All employees who have completed 90 days of employment with the Company on the first day of each offering period and customarily work twenty hours per week or more are eligible to participate in the Purchase Plan. An employee who, after the grant of an option to purchase, would hold common stock and/or hold outstanding options to purchase stock possessing 5% or more of the total combined voting power or value of the Company will not be eligible to participate. Eligible employees may make contributions through payroll deductions of up to 10% of their compensation. No participant in the Purchase Plan is permitted to purchase common stock under the Purchase Plan if such option would permit his or her rights to purchase stock under the Purchase Plan to accrue at a rate that exceeds $25,000 of the fair market value of such shares, or that exceeds 1,000 shares, for each calendar year. The Company makes a bi-annual offering to eligible employees of options to purchase shares of common stock under the Purchase Plan on the first trading day of January and July. Each offering period is for a period of 6 months from the date of the offering, and each eligible employee as of the date of offering is entitled to purchase shares of common stock at a purchase price equal to the lower of 85% of the fair market value of common stock on the first or last trading day of the offering period. A total of 99,673 shares are available to be issued under the plan at September 30, 2021.

There were 9,773 and 16,227 shares purchased by employees during fiscal 2021 and 2020, respectively. The Company recorded stock compensation expense under this plan of $9 thousand and $2 thousand during fiscal 2021 and 2020, respectively. Cash received from issuance of stock under this plan was $31 thousand and $17 thousand during fiscal 2021 and 2020, respectively.

Common Stock Warrants

On April 16, 2018, the Company issued 232,558 shares of common stock to an affiliated party. The shares were issued at a price of $2.15 per share, representing the closing price on April 13, 2018. The affiliated party also received warrants to purchase 232,558 shares of common stock at an exercise price of $2.50 per share, which expire on April 16, 2025.

On April 25, 2019, Mr. Burish exercised his warrant, described in Note 3 (February 28, 2019 Warrant) to purchase 728,155 shares of common stock of the Company at an exercise price of $1.18 per share.

On July 27, 2021, the Company and investors entered in to warrant agreements pursuant to which the investors have the right to purchase 141,892 shares at a price of $5.50 per share on or before July 20, 2026. One of these warrants was issued to Mr. Burish for the right to purchase 50,676 shares, see Note 9 - Related Party Transactions for more details.

Preferred stock and dividends

In May 2017, the Company created a new series of preferred stock entitled "9% Cumulative Voting Convertible Preferred Stock, Series A" (the "Preferred Stock, Series A"). As of September 30, 2021 and 2020, an aggregate total of 4,500 shares were authorized, respectively. Holders of the Preferred Stock, Series A will receive monthly dividends at an annual rate of 9%, payable in additional shares of Preferred Stock, Series A. Dividends declared on the preferred stock were earned monthly as additional shares and accounted for as a reduction to paid-in capital since the Company is currently in an accumulated deficit position. Each share of Preferred Stock, Series A was convertible into that number of shares of common stock determined by dividing $4.23 into the liquidation amount.

The Company considered relevant guidance when accounting for the issuance of preferred stock, and determined that the preferred shares meet the criteria for equity classification. Dividends accrued on preferred shares have been shown as a reduction to net income (or an increase in net loss) for purposes of calculating earnings per share.

A total of zero shares of Preferred Stock, Series A were issued and outstanding as of September 30, 2021 and 2020, respectively.

Capital raise

On July 20, 2021, the Company entered into a transaction with four investors on identical terms pursuant to which they agreed to purchase, and the Company agreed to issue and sell, an aggregate of 945,946 shares at a price of $3.70 per share (total of $3,500,000). The Company closed on the issuance and sale on July 27, 2021. The Company and the investors also entered into (i) warrant agreements pursuant to which the investors have the right to purchase 141,892 shares at a price of $5.50 per share on or before July 20, 2026 and, (ii) registration rights agreements (“Rights Agreement”) whereby the Company agreed to file a registration statement with the U.S. Securities and Exchange Commission (the “Commission”) within *six* months after the effective date of the Rights Agreement and further agreed to use its commercially reasonable efforts to have the registration statement declared effective and to ensure that the registration statement remains effective throughout the term of the Rights Agreement.

The investors above included Mr. Mark Burish, the Company’s chairman and largest shareholder who purchased $1,250,000 of common stock for a total of 337,838 shares and 50,676 warrants. The Company’s special committee of disinterested directors met several times to discuss and negotiate the terms of the above transactions, including the participation of Mr. Burish. The special committee unanimously approved such terms.

6. Income Taxes

Provision for income taxes consists of the following (in thousands):

	Years Ended September 30, 2021	Years Ended September 30, 2020
Current income tax expense U.S.	$ —	$ —
Current income tax expense foreign	20	97
Deferred income tax expense (benefit)	(5)	51
Provision for income taxes	$ 15	$ 148

U.S. and foreign components of income (loss) before income taxes were as follows (in thousands):

	Years Ended September 30, 2021	Years Ended September 30, 2020
U.S.	$ 2,702	$ (184)
Foreign	390	153
Income (Loss) before income taxes	$ 3,092	$ (31)

The reconciliation of income tax expense (benefit) computed at the appropriate country specific rate to income tax benefit is as follows (in thousands):

	Years Ended September 30, 2021	Years Ended September 30, 2020
Income tax expense (benefit) at statutory rate	$ 649	$ (39)
State income tax expense	9	148
Foreign rate differential	(31)	—
Foreign tax activity	—	97
PPP loan forgiveness	(488)	—
Permanent differences, net	67	538
Expiration of net operating losses	3,945	3,666
Change in valuation allowance	(4,255)	(4,298)
Return to provision true-up	166	—
Other	(47)	36
Income tax expense	$ 15	$ 148

The significant components of the deferred tax accounts recognized for financial reporting purposes are as follows (in thousands):

	September 30, 2021	September 30, 2020
Deferred tax assets:		
Net operating loss and other carryforwards	$ 16,893	$ 20,069
Common stock options	1,003	958
Unearned revenue	343	446
Interest expense limitation	10	457
Other	335	433
Total deferred tax assets	18,584	22,363
Deferred tax liabilities:		
Other	(321)	(339)
Total deferred tax liabilities	(321)	(339)
Net deferred tax asset	18,263	22,024
Valuation allowance	(18,215)	(21,981)
Net deferred tax asset	$ 48	$ 43

The Company has a $48 thousand and $43 thousand deferred tax asset at September 30, 2021 and 2020, respectively, recorded within other long-term assets lines on the consolidated balance sheet and is primarily related to net operating losses of MSKK.

At September 30, 2021, the Company had net operating loss carryforwards of approximately $61 million for U.S. Federal and $64 million for state tax purposes. For Federal tax purposes, the carryforwards have a range of lives from 20 years to indefinite and begin expiring in 2021. For state tax purposes, the carryforwards expire in varying amounts between 2021 and 2041. Utilization of the Company's net operating loss may be subject to substantial annual expirations due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Approximately $18.8 million of the net operating loss carryforwards expired during the year ended September 30, 2021.

The Company maintains an additional paid-in-capital (APIC) pool which represents the excess tax benefits related to share-based compensation that are available to absorb future tax deficiencies. If the amount of future tax deficiencies is greater than the available APIC pool, the Company records the excess as income tax expense in its consolidated statements of income. For fiscal 2021 and fiscal 2020, the Company had a sufficient APIC pool to cover any tax deficiencies recorded and as a result, these deficiencies did not affect its results of operations. At September 30, 2021, the Company has $1.1 million of net operating loss carry forwards for which a benefit would be recorded in APIC when realized.

Earnings of the Company's foreign subsidiaries are generally subject to U.S. taxation upon repatriation to the U.S. and the Company's tax provision reflects the related incremental U.S. tax except for certain foreign subsidiaries whose unremitted earnings are considered to be indefinitely reinvested. No deferred tax liability has been recognized with regard to the remittance of such earnings after MSKK and Sonic Foundry International BV acquisitions were completed. At September 30, 2021, unremitted earnings of $1.6 million for foreign subsidiaries were deemed to be indefinitely reinvested.

In accordance with accounting guidance for uncertainty in income taxes, the Company has concluded that a reserve for income tax contingencies is not necessary. The Company's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The Company had no accruals for interest and penalties on the Company's Consolidated Balance Sheets at September 30, 2021 or September 30, 2020 and has not recognized any interest or penalties in the Consolidated Statements of Operations for either of the years ended September 30, 2021 or 2020.

The Company is subject to taxation in the U.S., Netherlands, Japan and various state jurisdictions. All of the Company's tax years are subject to examination by the U.S., Dutch, Japanese and state tax authorities due to the carryforward of unutilized net operating losses.

7. Savings Plan

The Company's defined contribution 401(k) savings plan covers substantially all employees meeting certain minimum eligibility requirements. Participating employees can elect to defer a portion of their compensation and contribute it to the plan on a pretax basis. The Company may also match certain amounts and/or provide additional discretionary contributions, as defined. The Company made matching contributions of $400 thousand and $428 thousand during the years ended September 30, 2021 and 2020, respectively. The Company made no additional discretionary contributions during 2021 or 2020.

8. Revenue

Disaggregation of Revenues

The following table summarizes revenues from contracts with customers for the twelve months ended September 30, 2021 and 2020, respectively, (in thousands):

	Fiscal Year Ended September 30, 2021				
	SOFO	SFI	MSKK	Eliminations	Total
Revenue:					
Hardware	$ 5,760	$ 607	$ 1,423	$ (984)	$ 6,806
Software	2,663	458	863	(396)	3,588
Shipping	74	5	-	-	79
Product and other total	8,497	1,070	2,286	(1,380)	10,473
Support	6,587	631	924	(844)	7,298
Hosting	5,786	1,014	1,954	(458)	8,296
Events	3,982	99	2,310	-	6,391
Installs and training	809	268	1,632	-	2,709
Services total	17,164	2,012	6,820	(1,302)	24,694
Total revenue	$ 25,661	$ 3,082	$ 9,106	$ (2,682)	$ 35,167

	Fiscal Year Ended September 30, 2020				
	SOFO	SFI	MSKK	Eliminations	Total
Revenue:					
Hardware	$ 5,452	$ 718	$ 759	$ (612)	$ 6,317
Software	3,201	456	704	(566)	3,795
Shipping	218	9	-	-	227
Product and other total	8,871	1,183	1,463	(1,178)	10,339
Support	7,638	603	1,965	(694)	9,512
Hosting	4,934	623	1,375	-	6,932
Events	3,533	121	2,250	-	5,904
Installs and training	1,655	21	390	-	2,066
Services total	17,760	1,368	5,980	(694)	24,414
Total revenue	$ 26,631	$ 2,551	$ 7,443	$ (1,872)	$ 34,753

Transaction price allocated to future performance obligations

As of September 30, 2021, the aggregate amount of the transaction price that is allocated to our future performance obligations was approximately $3.5 million in the next three months compared to $4.1 million last year, $9.5 million in the next twelve months compared to $10.7 million last year , and the remaining $1.6 million thereafter compared to $1.7 million last year.

Disclosures related to our contracts with customers

Timing may differ between the satisfaction of performance obligations and the invoicing and collection of amounts related to our contracts with customers. We record assets for amounts related to performance obligations that are satisfied but not yet billed and/or collected. Liabilities are recorded for amounts that are collected in advance of the satisfaction of performance obligations. These liabilities are classified as current and non-current unearned revenue.

Unearned revenues

Unearned revenues represent our obligation to transfer products or services to our client for which we have received consideration, or an amount of consideration is due, from the client. During the twelve months ended September 30, 2021, revenues recognized related to the amount included in the unearned revenues balance at the beginning of the period was $10.5 million compared to $9.9 million at September 30, 2020.

Assets recognized from the costs to obtain our contracts with customers

We recognize an asset for the incremental costs of obtaining a contract with a customer. We amortize these deferred costs proportionate with related revenues over the period of the contract. During the twelve months ended September 30, 2021, amortization expense recognized related to the amount included in the capitalized commissions at the beginning of the period was $462 thousand compared to $491 thousand at September 30, 2020.

9. Related-Party Transactions

The Company incurred fees of $121 thousand and $424 thousand during the years ended September 30, 2021 and 2020, respectively, to a law firm whose partner is a director and stockholder of the Company. The Company had accrued liabilities for unbilled services to the same law firm of $16 thousand and $36 thousand at September 30, 2021 and 2020, respectively.

On May 13, 2020, the Company entered into a debt conversion agreement with Mr. Burish to convert all outstanding debt owed to Mr. Burish into common stock at a conversion price of $5.00 per share. The total debt amount, including accrued interest and fees, of $5.6 million was converted into 1,114,723 shares of common stock. The transaction was recommended by the Company's Special Committee of Independent and Disinterested Directors and unanimously approved by all disinterested directors of the Company. Silverwood Partners, the Special Committee's financial advisor, issued a fairness opinion in connection with the transaction. The debt conversion was also ratified at the annual shareholders meeting held on January 28, 2021.

On July 20, 2021, the Company entered into a transaction with four investors on identical terms pursuant to which they agreed to purchase, and the Company agreed to issue and sell, an aggregate of 945,946 shares at a price of $3.70 per share (total of $3,500,000). The Company closed on the issuance and sale on July 27, 2021. The Company and the investors also entered into (i) warrant agreements pursuant to which the investors have the right to purchase 141,892 shares at a price of $5.50 per share on or before July 20, 2026 and, (ii) registration rights agreements (“Rights Agreement”) whereby the Company agreed to file a registration statement with the U.S. Securities and Exchange Commission (the “Commission”) within six months after the effective date of the Rights Agreement and further agreed to use its commercially reasonable efforts to have the registration statement declared effective and to ensure that the registration statement remains effective throughout the term of the Rights Agreement. The investors above included Mr. Mark Burish, who purchased $1,250,000 of common stock for a total of 337,838 shares and 50,676 warrants. The Company’s special committee of disinterested directors met several times to discuss and negotiate the terms of the above transactions, including the participation of Mr. Burish. The special committee unanimously approved such terms.

Mr. Burish beneficially owns more than 5% of the Company’s common stock. Mr. Burish also serves as the Chairman of the Board of Directors. An affiliated party beneficially owns more than 5% of the Company's common stock. All transactions with Mr. Burish and with the affiliated party were approved by a Special Committee of Disinterested and Independent Directors.

10. Segment Information

We have determined that in accordance with the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) 280-10, *Segment Reporting*, we operate in three operating segments, however these segments meet the criteria for aggregation for reporting purposes as one reporting segment as of September 30, 2021 and 2020.

The following summarizes revenue and long-lived assets by geographic region (in thousands):

	Revenues Years Ended September 30,		Long-Lived Assets September 30,	
	2021	2020	2021	2020
United States	$ 18,114	$ 18,714	$ 3,555	$ 3,412
Europe and Middle East	6,732	7,245	1,234	1,447
Asia	9,291	7,714	796	1,449
Other	1,030	1,080	—	—
Total	$ 35,167	$ 34,753	$ 5,585	$ 6,308

11. Legal Proceedings

From time to time, the Company is subject to legal proceedings or claims arising from its normal course of operations. The Company accrues for costs related to loss contingencies when such costs are probable and reasonably estimable. As of September 30, 2021, the Company is not aware of any material pending legal proceedings or threatened litigation that would have a material adverse effect on the Company's financial condition or results of operations.

12. Impacts of COVID-19

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic, which has resulted in authorities implementing numerous measures to contain the virus, including travel bans and restrictions, quarantines, shelter-in-place orders, and business limitations and shutdowns. While we are unable to accurately predict the full impact that COVID-19 will have on our results from operations, financial condition, liquidity and cash flows due to numerous uncertainties, including the duration, severity and impact of the pandemic and containment measures, our compliance with these measures has impacted our day-to-day operations and could disrupt our business and operations, as well as those of our key business partners, vendors and other counterparties for an indefinite period of time. To support the health and well-being of our employees, business partners and communities, a vast majority of our employees have been working remotely since mid-March 2020 and continue to do so. The Company continues to follow guidelines outlined by the CDC and local county protocol. On August 2, 2021, the Company returned to in-person working.

The Company implemented a newly developed hybrid module to allow 60% in office and 40% work from home.

COVID-19 has had both positive and negative near-term impacts on our operations and the future impacts of the pandemic and any corresponding economic results are largely unknown and rapidly evolving. Beginning in March 2020 and continuing through this year and beyond, the in-person events portion of our business continues to be impacted by cancellations and/or postponements due to social distancing protocols enacted to stop the spread of the virus. While there was a return during the year to the type of smaller, in-person web events that are common for our Japan subsidiary, the events business in the US remains primarily a virtual events initiative, which has been a growing portion of our events business. In addition, the closure of educational institutions globally and the negative financial impact on their funding, could impact our sales in the upcoming quarters. While the virus has increased awareness of the need for distance learning tools and the adoption of video as a necessary communication medium, it is impossible for us to predict with confidence the long-term financial impact on our business including results of operations and liquidity.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Based on evaluations at September 30, 2021, our principal executive officer and principal financial officer, with the participation of our management team, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15 (e) under the Securities Exchange Act). Disclosure controls and procedures ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that material information relating to the Company is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2021.

Limitations on the effectiveness of Controls and Permitted Omission from Management's Assessment

Our internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. All internal control systems, no matter how well designed, have inherent limitations, including the possibility of human error and the circumvention or overriding of controls. Accordingly, even effective internal controls can only provide reasonable assurance with respect to financial statement preparation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f).

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in the *2013 Internal Control- Integrated Framework,* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the "2013 COSO Framework") on May 14, 2013. The 2013 COSO Framework outlines the 17 underlying principles and the following fundamental components of a company's internal control: (i) control environment, (ii) risk assessment, (iii) control activities, (iv) information and communication, and (v) monitoring. The 2013 Framework was adopted in the fiscal year ended September 30, 2015.

Based on evaluations at September 30, 2021, our principal executive officer and principal financial officer, with the participation of our management team, have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15 (e) and 15d-15 (e) under the Securities Exchange Act). Disclosure controls and procedures ensure that information required to be disclosed by us in reports that we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that material information relating to the Company is accumulated and communicated to management, including our principal executive officer and our principal financial officer, as appropriate to allow timely decisions regarding required disclosures. Based on this evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective as of September 30, 2021.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm, as allowed by the SEC.

Changes in Internal Control Over Financial Reporting

We have not made any change to our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by Item 10 of Form 10-K with respect to directors and executive officers is incorporated herein by reference to the information contained in the section entitled “Proposal One: Election of Directors” and “Executive Officers of Sonic”, respectively, in the Company’s definitive Proxy Statement to be filed with the Securities and Exchange Commission in connection with the solicitation of proxies for the Company’s 2021 and 2022 Annual Meeting of Stockholders.

Item 405 of Regulation S-K calls for disclosure of any known late filings or failure by an insider to file a report required by Section 16(a) of the Securities Act. This information is contained in the Section entitled “Section 16(a) Beneficial Ownership Reporting Compliance” in the Proxy Statement and is incorporated herein by reference.

Item 401 of Regulation S-K calls for disclosure of whether or not the Company has a financial expert serving on the audit committee of its Board of Directors, and if so who that individual is. This information is contained in the Section entitled “Meetings and Committees of Directors” in the Proxy Statement and is incorporated herein by reference.

Item 407 of Regulation S-K calls for disclosure of whether or not the Company has an audit committee and a financial expert serving on the audit committee of the Board of Directors, and if so, who that individual is. Item 407 also requires disclosure regarding the Company’s nominating committee and the director nomination process and whether or not the audit committee has a charter. This information is contained in the section entitled “Meetings and Committees of Directors” in the Proxy Statement and is incorporated herein by reference.

Sonic Foundry has adopted a code of ethics that applies to all officers and employees, including Sonic Foundry’s principal executive officer, its principal financial officer, and persons performing similar functions. This code of ethics is available, without charge, to any investor who requests it. Requests should be addressed in writing to Ken Minor, Corporate Secretary, 222 West Washington Avenue, Madison, Wisconsin 53703.

ITEM 11. EXECUTIVE COMPENSATION

The information required by Item 11 of Form 10-K is incorporated herein by reference to the information contained in the sections entitled “Directors Compensation”, “Executive Compensation and Related Information” and “Compensation Committee Interlocks and Insider Participation” in the Proxy Statement.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by Item 12 of Form 10-K is incorporated herein by reference to the information contained in the sections entitled “Security Ownership of Certain Beneficial Owners and Management” in the Proxy Statement. Information related to equity compensation plans is set forth in Item 5 herein.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information required by Item 13 of Form 10-K is incorporated herein by reference to the information contained in the section entitled “Certain Transactions” and “Meetings and Committees of Directors” in the Proxy Statement.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by Item 14 of Form 10-K is incorporated herein by reference to the information contained in the section entitled “Ratification of Appointment of Independent Auditors – Fiscal 2020 and 2021 Audit Fee Summary” in the Proxy Statement.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following financial statements are filed as part of this report:

1 Financial Statements furnished are listed in the Table of Contents provided in response to Item 8.
2 Exhibits.

NUMBER	DESCRIPTION
3.1	Articles of Amendment of Amended and Restated Articles of Incorporation, effective November 16, 2009, Amended and Restated Articles of Incorporation, effective January 26, 1998, and Articles of Amendment, effective April 9, 2000, filed as Exhibit No. 3.1 to the Annual Report on Form 10-K for the year ended September 30, 2009, and hereby incorporated by reference.
3.2	Articles Supplementary to the Company Charter of the Registrant, as relates to Series A Preferred Stock, dated May 30, 2017, filed as Exhibit 5.03 to the 8-K filed on June 5, 2017, and hereby incorporated by reference.
3.3	Articles Supplementary to the Company Charter of the Registrant, as relates to Series A Preferred Stock, dated November 6, 2017, filed as Exhibit 3.1 to the Form 8-K filed on November 21, 2017, and hereby incorporated by reference.
3.4	Amended and Restated By-Laws of the Registrant, filed as Exhibit No. 3.1 to the Form 8-K filed on January 25, 2018, and hereby incorporated by reference.
3.5	Articles Supplementary to the Company Charter of the Registrant, as relates to Series A Preferred Stock, filed as Exhibit 3.1 to the Form 8-K filed on May 23, 2018, and hereby incorporated by reference.
3.6	Article of Amendment to the Company Charter of Registrant, filed with the June 30, 2021 Form 10-Q and hereby incorporated by reference.
4.1	Form of Warrant Agreement between registrant and four investors, dated July 20, 2021, filed as Exhibit 4.1 to the 8-K, filed on July 30, 2021 and here by incorporated by reference.
10.1*	Registrant's 2008 Non-Employee Directors' Stock Option Plan, as amended, filed as Exhibit 3 to the Form 14A filed on January 26, 2017, and hereby incorporated by reference.
10.2*	Registrant's 2008 Employee Stock Purchase Plan, as amended, filed as Exhibit 1 to the Form 14A filed on January 26, 2017, and hereby incorporated by reference.
10.3*	Registrant's 2009 Stock Incentive Plan, as amended, filed as Exhibit 2 to the Form 14A filed on January 26, 2017, and hereby incorporated by reference.
10.4	Lease Agreement between Registrant, as tenant, and West Washington Associates, LLC as landlord, dated June 28, 2011, filed as Exhibit 10.1 to the Form 8-K filed on July 1, 2011, and hereby incorporated by reference.
10.5*	Employment Agreement dated March 21, 2014 between Sonic Foundry, Inc. and Kenneth A. Minor, filed as Exhibit 10.2 to the Form 8-K filed on March 26, 2014, and hereby incorporated by reference.
10.6	Forms of Subscription Agreements, Lock-Up Agreements and Warrant Agreements dated December 22, 2014 among Sonic Foundry, Inc. and Mark Burish, and Sonic Foundry, Inc. and Andrew Burish, filed as Exhibits 10.1, 10.2, and 10.3 to the Form 8-K filed on December 30, 2014 and hereby incorporated by reference.
10.7	Lease Agreement between Sonic Foundry International, as tenant, and Prinsen Geerligs as landlord, dated February 1, 2014, filed as Exhibit 10.25 to the form 10-Q on February 6, 2015, and hereby incorporated by reference.

10.8 Loan and Security Agreement, dated May 13, 2015 among Registrant, Sonic Foundry, Inc. and Partners for Growth IV, L.P., filed as Exhibit 10.27 to the form 10-Q filed on May 14, 2015, and hereby incorporated by reference.

10.9 Warrant, dated as of May 13, 2015, between Registrant and Partners for Growth IV, L.P., filed as Exhibit 10.28 to the form 10-Q filed on May 14, 2015, and hereby incorporated by reference.

10.10 Warrant dated as of May 13, 2015, between Registrant and PFG Equity Investors, LLC, filed as Exhibit 10.30 to the form 10-Q filed on May 14, 2015, and hereby incorporated by reference.

10.11 Intellectual Property Security Agreement, dated as of May 13, 2015, between Registrant and Partners for Growth IV, L.P., filed as Exhibit 10.31 to form 10-Q filed on May 14, 2015, and hereby incorporated by reference.

10.12 Modification No. 1 to Loan and Security Agreement, dated September 30, 2015 among Registrant, Sonic Foundry, Inc. and Partners for Growth IV, L.P., filed as Exhibit No. 10.2 to the Form 8-K filed on October 9, 2015, and hereby incorporated by reference.

10.13 Lease Agreement between Mediasite KK, as tenant, and Sumitomo Metal Mining Co., Ltd., as landlord, dated August 1, 2016, filed as Exhibit 10.1 to the Form 8-K filed on August 3, 2016, and hereby incorporated by reference.

10.14 Modification No. 2 to Loan and Security Agreement, dated February 8, 2017 among Registrant, Sonic Foundry, Inc. and Partners for Growth IV, L.P., filed as Exhibit 10.28 to the Form 10-Q filed on February 9, 2017, and hereby incorporated by reference.

10.15 Waiver and Modification No. 3 to Loan and Security Agreement, dated May 11, 2017 among Registrant Sonic Foundry, Inc. and Partners for Growth IV, L.P., filed as Exhibit 10.31 to the Form 10-Q filed on May 11, 2017, and hereby incorporated by reference.

10.16 Subscription Agreement between Registrant and Mark D. Burish, dated May 30, 2017, filed as Exhibit 3.02 to the 8-K filed on June 5, 2017, and hereby incorporated by reference.

10.17 Agreement Not to Convert between Registrant and Mark D. Burish, dated November 17, 2017, filed as Exhibit 10.1 to the Form 8-K filed on November 21, 2017, and hereby incorporated by reference.

10.18 Subscription Agreement between Registrant and Mark D. Burish, dated August 23, 2017, filed as Exhibit 10.1 to the 8-K filed on August 25, 2017, and hereby incorporated by reference.

10.19 Modification No. 4 to Loan and Security Agreement, dated December 28, 2017 among Registrant, Sonic Foundry, Inc. and Partners for Growth IV, L.P., filed as Exhibit 10.2 to the Form 8-K filed on December 29, 2017, and hereby incorporated by reference.

10.20 Subscription Agreement between Registrant and Mark D. Burish, dated January 19, 2018, filed as Exhibit 10.1 to the Form 8-K filed on January 25, 2018, and hereby incorporated by reference.

10.21 10.75% Convertible Secured Subordinated Promissory Note between Registrant and Mark D. Burish, filed as Exhibit 10.2 to the Form 8-K filed on January 25, 2018, and hereby incorporated by reference.

10.22 Subscription Agreement between Registrant and Andrew D. Burish, dated April 16, 2018, filed as Exhibit 10.1 to the Form 8-K filed on April 18, 2018, and hereby incorporated by reference.

10.23 Warrant, dated April 16, 2018, filed as Exhibit 10.2 to the Form 8-K filed on April 18, 2018, and hereby incorporated by reference.

10.24 Loan and Security Agreement, dated May 11, 2018 among Registrant, Sonic Foundry, Inc. and Partners for Growth V, L.P., filed as Exhibit 10.41 to the Form 10-Q filed on May 15, 2018, and hereby incorporated by reference.

10.25 Warrant, dated as of May 11, 2018, between Registrant and Partners for Growth V, L.P., filed as Exhibit 10.42 to the Form 10-Q filed on May 15, 2018, and hereby incorporated by reference.

10.26 Promissory Note between Registrant and Mark D. Burish, dated January 4, 2019, filed as Exhibit 10.1 to the Form 8-K filed on January 8, 2019, and hereby incorporated by reference.

10.27 Promissory Note between Registrant and Mark D. Burish, dated January 31, 2019, effective upon receipt of funds on February 5, 2019, filed as Exhibit 10.1 to the Form 8-K filed on February 12, 2019, and hereby incorporated by reference.

10.28 Promissory Note between Registrant and Mark D. Burish, dated February 14, 2019, filed as Exhibit 10.1 to the Form 8-K filed on February 20, 2019, and hereby incorporated by reference.

10.29 Note Purchase Agreement between the Company and Mark Burish, dated February 28, 2019, filed as Exhibit 10.1 to the Form 8-K filed on March 6, 2019, and hereby incorporated by reference.

10.30 Warrant between the Company and Mark Burish, dated February 28, 2019, filed as Exhibit 10.2 to the Form 8-K filed on March 6, 2019, and hereby incorporated by reference.

10.31 Consent, Waiver & Modification to Loan and Security Agreement dated March 11, 2019 between Sonic Foundry, Inc. and Partners for Growth V, L.P., filed as Exhibit 10.1 to the Form 8-K filed on March 12, 2019, and hereby incorporated by reference.

10.32 Employment Agreement dated April 22, 2019 between Sonic Foundry, Inc. and Michael Norregaard, filed as Exhibit 10.1 to the Form 8-K filed on April 24, 2019, and hereby incorporated by reference.

10.33 Retirement and Transition Agreement dated April 22, 2019 between Sonic Foundry, Inc. and Gary Weis, filed as Exhibit 10.2 to the Form 8-K filed on April 24, 2019, and hereby incorporated by reference.

10.34 Retirement and Transition Agreement dated August 5, 2019 between Sonic Foundry, Inc. and Kenneth Minor, filed as Exhibit 10.1 to the Form 8-K filed on August 9, 2019, and hereby incorporated by reference.

10.35 Amended and Restated Employment Agreement dated as of August 23, 2019 by and between Sonic Foundry, Inc. and Michael Norregaard, filed as Exhibit 10.1 to the Form 8-K filed on August 29, 2019, and hereby incorporated by reference.

10.36 Note Modification Agreement dated November 22, 2019 between Sonic Foundry, Inc. and Mark Burish, filed as Exhibit 10.36 to Form 10-Q filed on February 13, 2020, and hereby incorporated by reference.

10.37 Lease Agreement between Mediasite KK, as tenant, and Sanji Kato, as landlord, dated November 2, 2019, filed with the March 31, 2020 Form 10-Q and hereby incorporated by reference

10.38 Lease Agreement between Mediasite KK, as tenant, and Maida Housing Corporation, as landlord, dated April 1, 2014, filed with the March 31, 2020 Form 10-Q and hereby incorporated by reference.

10.39 Term Loan Agreement dated January 30, 2020 between Mediasite KK and Sumitomo Mitsui Banking, filed with the March 31, 2020 Form 10-Q and hereby incorporated by reference.

10.40 First Amendment to Note Modification Agreement dated March 24, 2020 between Sonic Foundry, Inc. and Mark Burish, filed with the March 31, 2020 Form 10-Q and hereby incorporated by reference.

10.41 Term Loan Agreement dated April 20, 2020 between Sonic Foundry, Inc. and First Business Bank filed as Exhibit 10.1 to the Form 8-K filed on April 23, 2020 and herby incorporated by reference.

10.42 Debt Conversion Agreement dated May 13, 2020 between Sonic Foundry, Inc. and Mark Burish filed with the March 31, 2020 Form 10-Q and herby incorporated by reference.

10.43 Employment Agreement dated October 8, 2020 between Sonic Foundry, Inc. and Kelsy Boyd, filed as Exhibit 10.1 to the Form 8-K filed on October 15, 2020, and hereby incorporated by reference.

10.44	Employment Agreement dated October 20, 2020 between Sonic Foundry, Inc. and Joseph Mozden, Jr., filed as Exhibit 10.1 to Form 8-K on October 22, 2020, and hereby incorporated by reference.
10.45	Engagement Letter dated as of February 25, 2021 by and between Sonic Foundry, Inc. and Kenneth Minor, filed as Exhibit 10.1 to the Form 8-K filed on March, 1, 2021, and hereby incorporated by reference.
10.46	Retirement Transition Agreement dated February 25, 2021 between Sonic Foundry, Inc. and Kelsy Boyd.
10.47	Form of Registration Right Agreement between Registrant and four investors, dated July 20, 2021, filed as Exhibit 10 to the Form 8-K on July 30, 2021, and hereby incorporated by reference.
10.48	Revolving Credit Agreement, dated July 28, 2021, between Registrant and U.S. Bank National Associated, filed as Exhibit 10.48 to the Form 8-K on August 3, 2021 and hereby incorporated by reference.
10.49	Lease Agreement between Registrant, as tenant, and West Washington Associates, LLC as landlord, dated June 15, 2021, filed with the June 30, 2021 Form 10-Q and hereby incorporated by reference.
21	List of Subsidiaries
23.1	Consent of Wipfli LLP, Independent Registered Public Accounting Firm
31.1	Section 302 Certification of Chief Executive Officer
31.2	Section 302 Certification of Chief Financial Officer
32	Section 906 Certification of Chief Executive Officer and Chief Financial Officer
101	The following materials from the Sonic Foundry, Inc. Form 10-K for the year ended September 30, 2021 formatted in Inline Extensible Business Reporting Language (iXBRL): (i) the Consolidated Statements of Operations, (ii) the Consolidated Balance Sheets, (iii) the Consolidated Statements of Comprehensive Loss, (iv) the Consolidated Statements of Stockholder's Equity, (v) the Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (embedded within the Inline XBRL and contained in Exhibit 101)

Registrant will furnish upon request to the Securities and Exchange Commission a copy of all exhibits, annexes and schedules attached to each contract referenced in item 10.

* Compensatory Plan or Arrangement

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) 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.

Sonic Foundry, Inc.
(Registrant)

By: /s/ Joe Mozden, Jr.
Joe Mozden, Jr.
Chief Executive Officer

Date: December 9, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Joe Mozden, Jr.	Chief Executive Officer	December 9, 2021
/s/ Ken Minor	Interim Chief Financial Officer	December 9, 2021
/s/ Mark D. Burish	Chair and Director	December 9, 2021
/s/ Frederick H. Kopko, Jr.	Director and Secretary	December 9, 2021
/s/ Brian T. Wiegand	Director	December 9, 2021
/s/ Nelson A. Murphy	Director	December 9, 2021
/s/ Taha Jangda	Director	December 9, 2021
/s/ Bill St. Lawrence	Director	December 9, 2021

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