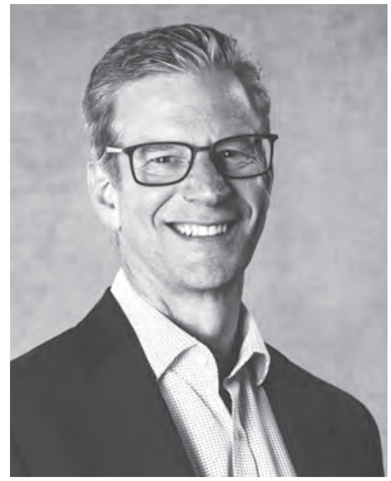
Unlocking a Smarter,
More Connected World

2022 Annual Report

sonicfoundry®

Fellow Shareholders,



As I sit down to write this annual letter to you, I'm struck by how much there is to discuss. Over the course of 2022, we encountered a number of challenges, but we also made considerable progress on our roadmap for transforming Sonic Foundry into a high-growth company. I'm very excited to share some of our recent accomplishments as well as my outlook for the year ahead.

First, let's quickly review where we were at the beginning of 2022. After carefully analyzing the enterprise video landscape during the first two years of my tenure, our team determined that the markets which had traditionally supported our Mediasite business faced significant growth limitations. Given Mediasite's strong brand reputation, we were confident that it could continue to grow inside a limited market, but it lacked the dynamic long-term growth opportunity we wanted.

We also recognized that our customer relationships, our data, and our team's extensive expertise in video and streaming technology could be leveraged to enter new markets with high-velocity growth potential, including some that could indirectly reinforce aspects of the Mediasite business. Accordingly, we developed a new strategic plan to maximize the value of our existing resources and technology with the launch of several new initiatives.

In 2022, we put that plan into action.

Over the past year, we added three new business units to our portfolio - Vidable™, Video Solutions, and Global Learning Exchange™ (GLX) – and re-aligned our corporate structure to support a multi-brand strategy. Over the past several months, each one of these businesses achieved meaningful proof points - including customer adoption, new strategic partnerships, and in the case of GLX, a first round of student enrollments.

There is a lot of hard work ahead of us, but I believe that we have the right team and the right strategy in place to maximize the value of Sonic Foundry's assets and position the company for significant growth in the months and years ahead.

I invite you to review Sonic Foundry's expanding family of brands. Our new business units represent the culmination of our team's innovative thinking and hard work. We are proud of what we have accomplished in a short time, but we have only just begun. Stay tuned.

Regards,

Joseph P. Mozden, Jr.
CEO

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Enterprise Video Offerings

The landscape of video usage and consumption has changed dramatically over the past several years. In today's enterprise environment, video is a necessity, not just a nice-to-have, and organizations of all kinds are facing a new landscape of video-related risks and opportunities. Over the past year, we have worked to align our enterprise video offerings with the demands of a rapidly changing market and position them to capitalize on emerging market trends that we foresee over the next two to five years.

Vidable™

As the role of video in enterprise environments expands and the cost of data storage continues to decline, the volume of content in corporate video libraries has absolutely exploded. And that explosion of volume has raised challenging questions for those tasked with managing and deploying video content. For instance, how can an organization keep detailed track of where specific content resides when they are dealing with hundreds or thousands of separate video files? More importantly, how can an organization efficiently identify and leverage the potential value that may be collecting dust within those files?

Since there is no practical way for manual search and editing techniques to keep pace with the kind of volume that today's organizations are dealing with, we believe that the only real answer lies in the scalability of AI-powered tools and techniques.

Accordingly, to capitalize on the burgeoning demand for enterprise-facing video AI, we are rolling out a world-class collection of AI-powered video editing and enhancement tools called Vidable. Our ultimate mission is to build the world's most complete collection of AI solutions for enterprise video. As the full array of capabilities becomes available, Vidable will enable customers to efficiently search, catalogue, and monetize vast libraries of video content that previously would have been too costly and time-consuming to analyze, let alone transform and redeploy.

The initial customer response has been outstanding, and we are currently moving to deploy several new Vidable capabilities while expanding our marketing and sales efforts to reach a larger pool of customers.

Video Solutions

From the standpoint of video utilization, today's corporate workday bears a striking resemblance to a hybrid event. Team meetings have a lot in common with breakout rooms at a conference; townhall events led by C-level leaders are like keynote presentations; lots of key information is stored in video files, notes, and presentations circulated for remote meetings, etc. Accordingly, a number of video-related services that were largely events-specific five years ago are increasingly relevant in enterprise environments. We viewed this trend as an opportunity to reposition our events services business (formerly Mediasite Events) for a much larger market.

Video Solutions incorporates many of the services previously offered under the umbrella of Mediasite Events with a variety of additional enterprise-facing solutions designed specifically to address the challenges that enterprise organizations are facing in the hybrid-first world. Our highly experienced technicians and project managers can deliver turnkey approaches to everything from remote capture systems to custom platform integrations and high-impact distribution solutions. The value proposition is simple: we make video easy, period.

By carrying over the entire roster of Mediasite Events customers, we knew that Video Solutions would produce immediate revenue and we would retain the ability to leverage our longstanding reputation in the events space while introducing our enterprise-facing services to the broader market. We also recently finalized a strategic partnership agreement with an events services provider who will provide us with a channel to hundreds of large, high-profile medical and research organizations. Video Solutions is off to a great start and I'm confident that we will see even more traction in 2023.

Innovation in Education

Global Learning Exchange™

Global Learning Exchange (GLX) offers an innovative approach that encourages highly motivated students around the world to gain an accredited degree in a flexible, cost-effective environment and with the benefit of local academic support and networking resources. With this model, we believe that we can gain access to an enormous global market of aspiring students while helping to address the worldwide supply and demand imbalance in higher education. In July, we celebrated the opening of our first GLX Hub in the Bahamas where students can now choose from a wide range of available program options from our participating learning providers.

We are also making substantial progress toward the launch of multiple Global Learning Exchange programs in Africa. In November, I had the honor of traveling to Abuja, Nigeria to officially announce GLX's partnership with the United Nations Educational, Scientific, and Cultural Organization (UNESCO). During the same trip, I met with the office of Nigerian President Buhari to propose partnering with public education and labor institutions in Nigeria to accelerate the rollout of our local program; the proposal was enthusiastically received, and discussions are advancing as we speak. These partnerships have put us on the map with the broader movement to democratize on-line higher education in Africa as well as with large pools of potential students who otherwise would not have access to the life-changing benefits of higher education.

Speaking personally, it has been immensely gratifying to watch the Global Learning Exchange vision come to life and I cannot wait to share the news of additional developments that are currently in the pipeline.

Fiscal 2022 Performance

When it comes to our fiscal performance, 2022 was not the year that we expected or wanted. Several factors contributed to this, including unfavorable foreign exchange rates in several regions where we have significant operations and lingering uncertainty in the events market as organizations tried to strike the right balance of in-person and hybrid in the post-COVID environment. We did see a gradual improvement in our in-person events business, but it remained off pace from pre-pandemic levels. Additionally, the widespread conversion to hybrid and virtual meeting formats, which filled the gap during the height of COVID, declined over the course of 2022.

Our financial performance certainly reflected the challenges we encountered in 2022. Net revenue was $27.5 million in fiscal year 2022, compared to $35.2 million in the prior fiscal year. We reported a net loss of $7.1 million, or $0.72 per diluted share, compared with net income of $3.1 million, or $0.36 per diluted share last year.

While these results were disappointing to report, it is critical to view them in the context of our overall strategic plan. For instance, we have demonstrated that the Mediasite business can be profitable under less challenging circumstances, and we expect to see improvements in 2023 as we capitalize on emerging trends in the enterprise video space. (One example: The broad movement towards cloud-based data management has created an opportunity to move hundreds of our on-premises customers to the cloud and transition them to a subscription-based model, which is already contributing to an increased stream of recurring revenue.) Most importantly, I believe that we can quickly reverse the 2022 loss as our new ventures transition from a pre-profitable launch phase to a growth and expansion-focused rollout.

As it happens, I'm not alone in that assessment. Our strategic plans have continued to receive support from capital markets and in November we secured $8.5 million in debt financing and raised an additional $1.2 million in an equity agreement. This was in addition to the $4.3 million we raised in April through a public offering of 1.7 million shares at $2.55 per share.

Looking Ahead

As we look ahead to 2023, I am extremely optimistic about Sonic Foundry's future. I believe we now have the management, infrastructure, and, most importantly, the capital to accelerate our transformation into a high-velocity, high-growth company – and I believe strong momentum is right around the corner.

Our team certainly recognizes that today's economy faces significant challenges. We encourage you to read our Annual Report on Form 10-K for the fiscal year ended September 30, 2022, which accompanies this letter, including the paragraph on page 4 regarding forward looking statements and the section captioned "Risk Factors" for a description of the substantial risks and uncertainties related to the forward-looking statements included herein.

While it is possible that unknown future conditions could modify or slow our progress over the next year, I firmly believe that our strategy is resilient and the diversification we achieved in 2022 will position us to create new options in this precarious market environment. So, despite the gloomy forecasts that many of us are familiar with, there is a lot to look forward to.

Over the next six months, we expect the Vidable, Video Solutions, and Global Learning Exchange scaleups to produce tangible results in the form of new contracts and increasing student enrollments, and I anticipate that the Mediasite business will resume growing in 2023 as the foreign currency and market challenges we encountered in 2022 continue to improve. Next year, I look forward to celebrating tangible progress on our new businesses and a more upbeat financial report as new initiatives gain traction.

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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, 2023

The Annual Meeting of Stockholders of **SONIC FOUNDRY, INC**., a Maryland corporation ("Sonic" or the "Company") will be held virtually, over the Internet, on March 10, 2023 at 9:00 a.m. (Central time), 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 2,000,000 to 3,000,000.

3. To approve, by a non-binding advisory vote, of the compensation paid by Sonic to its named executive officers;

4. To ratify the appointment of Wipfli LLP as our independent auditors for the fiscal year ending September 30, 2023; and

5. 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 our common stock at the close of business on January 20, 2023 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 26, 2023

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 26, 2023

PROXY STATEMENT

The Board of Directors of Sonic Foundry, Inc., a Maryland corporation ("Sonic" or the "Company"), 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 William St. Lawrence for term expiring in 2028;

FOR a Proposal to amend the 2020 Equity Incentive Plan to increase the number of shares of common stock subject to the plan from 2,000,000 to 3,000,000;

FOR the approval, by a non-binding advisory vote, of the compensation paid by Sonic to its Named Executive Officers; and

FOR the ratification of the appointment of Wipfli LLP as independent auditors of Sonic for the fiscal year ending September 30, 2023.

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 6, 2023.

Each holder of Sonic's 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 20, 2023 (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 12,075,510 shares of Sonic's common stock, held by approximately 2,500 stockholders, of which all but approximately 200 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.

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.

Important Notice Regarding the Availability of Proxy Materials for the 2023 Annual Meeting of Shareholders to be Held on March 10, 2023: this proxy statement and the accompanying annual report are available at: www.sonicfoundry.com/investors.

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 a majority of the votes cast 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 non-binding advisory vote of the compensation paid by the Company to its Named Executive Officers and 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 while the other proposals are considered non-discretionary matters. As a result, while broker non-votes will count toward the quorum requirement, they will not count toward the determination of whether the director nominee is elected, whether the non-binding advisory vote of the compensation paid by the Company to its Named Executive Officers is approved or whether the amendment to the 2020 Stock Incentive Plan is approved.

DATE, TIME AND PLACE OF ANNUAL MEETING

The Annual Meeting will be held virtually, over the Internet, on March 10, 2023 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 be changed from time to time by or pursuant to a resolution passed by the Board of Directors. The currently authorized number of directors is five. The seat on the Board of Directors currently held by William St. Lawrence is designated as a Class V Board seat, with a term expiring at the Annual Meeting. The Board of Directors has nominated William St. Lawrence as a Class V Director for election at the Annual Meeting.

If elected at the Annual Meeting, Mr. St. Lawrence would serve until the 2028 Annual Meeting and until his successor is elected and qualified or until his earlier death, resignation or removal. We anticipate that Mr. St. Lawrence will be a candidate when the election is held. However, if he should be unable or unwilling to serve, the proxies, pursuant to the authority granted to them by the Board of Directors, will have discretionary authority to select and vote for a substituted nominee (except where the proxy withholds authority with respect to the election of directors).

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

Nominee for Director for a Five-Year term expiring on the 2028 Annual Meeting

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

Mr. St. Lawrence, age 53, has been a Director since May 2021. Mr. St. Lawrence has served as the General Counsel / VP of Business Development at Cayster, Inc (formerly BioDental Sciences), a dental technology and services company, since August 2019. Prior to joining Cayster, 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. Lawrence serves as an advisor to a variety of technology and other companies. 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.

DIRECTORS CONTINUING IN OFFICE

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

Mr. Murphy, age 62, 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. 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., a provider of mobile technologies, and from October 2003 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.

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

Mr. Mozden, age 59, has served as a Director and the Company's Chief Executive Officer, since September 2020. Prior to joining the Company, from September 2015 to September 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.

Mark D. Burish **Term Expires in 2026 (Class III Director)**

Mr. Burish, age 69, 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.

Brian T. Wiegand **Term Expires in 2027 (Class IV Director)**

Mr. Wiegand, age 54, has been a Director of the Company since July 2012, and is a serial entrepreneur who successfully founded and sold several internet-based companies. From January 2017 to August 2022, he was 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 of BizFilings until 2002 when the company was acquired by Wolters Kluwer. Mr. Wiegand attended the University of Wisconsin – Madison.

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. Mr. Burish brings 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. 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"). 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, William St. Lawrence and Brian T. Wiegand are independent, constituting a majority of the Board.

Policy for Director Attendance at Annual Meeting of Stockholders

The Company expects that all directors and nominees for election as directors at an annual meeting of stockholders will attend the annual meeting, absent a valid reason, such as a schedule conflict. All seven of the then-incumbent directors attended the 2022 Annual Meeting of Stockholders.

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 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 three times during Fiscal 2022. 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 2022.

The Board of Directors has four standing committees, the Audit Committee, the 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 and Frederick H. Kopko, Jr., the Company's chair and former board member, respectively.

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"). The members of the Audit Committee are Messrs. Murphy (chair), St. Lawrence and Wiegand. Sonic's Board of Directors has determined that each member of Sonic's Audit Committee is "independent" as that term is used in Rule 10A-3 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 2022. A copy of the charter of the Audit Committee is available on Sonic's website at www.sonicfoundary.com/investors.

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 four times in Fiscal 2022. A copy of the charter of the Compensation Committee is available on Sonic's website at www.sonicfoundary.com/investors.

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 at www.sonicfoundary.com/investors. 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 2024 Annual Meeting of Stockholders, the nomination must be delivered or mailed to and received by Sonic's Secretary no later than December 11, 2023 and no earlier than November 11, 2023 (or, if the 2024 annual meeting is advanced by more than 30 days or delayed by more than 60 days from March 10, 2024, 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 number of shares of Sonic's capital stock 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;
- Any derivative positions with respect to shares of capital stock of Sonic held or beneficially held by or on behalf of such stockholder and by or on behalf of such beneficial owner, the extent to which any hedging or other transaction or series of transactions has been entered into with respect to the shares of capital stock of Sonic by or on behalf of such stockholder and by or on behalf of such beneficial owner, and the extent to which any other agreement, arrangement or understanding has been made, the effect or intent of which is to increase or decrease the voting power of such stockholder and such beneficial owner with respect to shares of capital stock of Sonic;

- A representation that the stockholder is a holder of record of stock of Sonic entitled to vote at such meeting and intends to appear in person or by proxy at the meeting to propose such business or nomination;
- A representation whether the stockholder or the beneficial owner, if any, intends or is part of a group that intends to deliver a proxy statement and/or form of proxy to holders of at least the percentage of Sonic's outstanding capital stock required to approve or adopt the proposal or elect the nominee or otherwise to solicit proxies from stockholders in support of such proposal or nomination;
- Sonic may require any proposed nominee to furnish such other information as it may reasonably require to determine the eligibility of such proposed nominee to serve as a director of Sonic, and whether such nominee qualifies as an "independent director" or "audit committee financial expert" under applicable law, securities exchange rule or regulation, or any publicly-disclosed corporate governance guideline or committee charter of Sonic; 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.

Any nominations received from stockholders must be in full compliance with applicable laws and with Sonic's Bylaws.

In addition to satisfying the requirements under Sonic's bylaws, to comply with the universal proxy rules, stockholders who intend to solicit proxies in support of director nominees other than Sonic's nominees must also provide notice that sets forth the information required by Rule 14a-19 under the Exchange Act no later than January 10, 2024, which is 60 calendar days prior to the anniversary of this year's meeting date.

DIRECTORS COMPENSATION

Our directors who are not also 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 six non- employee directors combined in Fiscal 2022 was $107,250. 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. Each director, at his or her election, may receive retainer and meeting attendance fees in cash or shares of Sonic's common stock.

Pursuant to Sonic's 2008 Non-Employee Directors Stock Option Plan, as amended (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 Sonic's common stock. Further, the chair of our Audit Committee receives an additional stock option grant to purchase 500 shares of Sonic's common stock per year pursuant to the Directors Plan.

The exercise price of each stock option granted was equal to the market price of Sonic's 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 following table summarizes cash and equity compensation provided our non-employee directors during the fiscal year ended September 30, 2022.

Name (a)	Fees Earned Or Paid In Cash ($)(1) (b)	Option Awards ($)(2) (c)	Total ($) (d)
Mark D. Burish	29,750	3,740	33,490
Taha Jangda(3)	12,500	3,740	16,240
Frederick H. Kopko(3)	12,250	3,740	15,990
Nelson A. Murphy	19,250	6,545	25,795
William St. Lawrence	15,250	3,740	18,990
Brian T. Wiegand	17,750	3,740	21,490

(1) The amount reported in column (b) is the total of retainer fees and meeting attendance fees paid in cash or at the election of the Director, the equivalent value in Sonic's common stock based on the closing price of the stock on the date of the election.

(2) The amount reported in column (c) is the aggregate grant date fair value of options granted during the fiscal year ended September 30, 2022, in accordance with FASB ASC Topic 718. Each director received an option award of 2,000 shares for the Shareholder meeting held on March 10, 2022, and a grant to Mr. Murphy of 1,500 options for his position as chair of the Audit Committee. Each grant was at an exercise price of $3.80 with fair value per share of $1.87.

(3) Mr. Jangda resigned as a director on July 7, 2022 and Mr. Kopco resigned as a director on November 18, 2022.

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 59, 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 60, 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 51, has been our Executive Vice President and General Manager since October 2022. First joining Sonic in April 2006 as Vice President of International Sales, Mr. Lipps has held various global sales & marketing leadership roles during his tenure, including serving as Executive Vice President of Sales from April 2008 to October 2022. 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 December 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 20, 2023, 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 20, 2023, 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	5,409,299	42.7%
Ron W. Busslinger(4) 27901 Via Del Agua Laguna Niguel, CA 92677	1,090,426	9.0
Andrew D. Burish(5) 8020 Excelsior Drive Madison, WI, 53717	1,041,929	8.5
Joe Mozden, Jr.(6)	478,200	3.8
Robert M. Lipps(7)	125,568	1.0
Nelson A. Murphy(8) 2300 W. Innes St. Salisbury, NC 28144	61,808	*
Brian T. Wiegand (9) 5574 Polo Ridge Waunakee, WI 53597	55,304	*
Kenneth A. Minor (10)	30,686	*
William St. Lawrence (11)	6,000	*
All current Executive Officers and Directors as a Group (7 persons)(12)	6,166,865	46.5

* 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 12,075,510 shares of Sonic's common stock outstanding as of January 20, 2023, adjusted as required by rules promulgated by the Securities and Exchange Commission.

(3) Includes 18,000 shares subject to Presently Exercisable Options and 562,441 shares subject to Presently Exercisable Stock Warrants.

(4) Based on Form 3 filed October 13, 2022

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

(6) Includes 450,000 shares subject to Presently Exercisable Options.

(7) Includes 123,493 shares subject to Presently Exercisable Options.

(8) Includes 14,500 shares subject to Presently Exercisable Options.

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

(10) Includes 1,666 shares subject to Presently Exercisable Options.

(11) Includes 6,000 shares subject to Presently Exercisable Options.

(12) Includes an aggregate of 1,196,100 Presently Exercisable Options and Common Stock Warrants

Narrative Discussion of Executive Compensation

Introduction

This Narrative Discussion of Executive Compensation 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 Compensation Committee (the "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 section 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 22, 2022 for consideration of base compensation changes for Messrs. Mozden, Minor 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 and maintained compensation rates for Mr. Minor. Further, the Committee approved the calculation of bonus earned for each at $95,000 and $20,000. Finally, the Committee approved grants of stock options including: 1)175,000 options for Mr. Mozden that will vest equally on the next three annual anniversaries; and 2) 90,000 options for Mr. Mozden as additional compensation for other activities which vest immediately; and 20,000 and 5,000 grants for Messrs. Lipps and Minor, respectively, 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 2022, the Compensation Committee designed an incentive program driven by achievement of a combination of targets for each of it's the three brands Mediasite, Vidable and Global Learning Exchange. Messrs. Mozden and Lipps were included in the plan.

Payout Based on Performance Against Goals. For fiscal 2022 the Company's performance, as evaluated by the Compensation Committee, lead to the determination Messrs. Mozden and Lipps earned $50,000 and $20,000, respectively. In addition, Mr. Mozden was awarded a bonus of $45,000 consistent with a prior compensation agreement.

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 representing 50% or more of the total voting power of Sonic's then outstanding stock; or, (ii) Sonic is acquired by another entity through the purchase of substantially all of its assets or securities; or (iii) Sonic 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 than 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, 2022, (not for cause), or if they elected to terminate their employment following a demotion or alteration of duties on September 30, 2022, 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 2022 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."

Summary Compensation Table

The following table sets forth the compensation of our principal executive officer and our two other executive officers as of September 30, 2022.

Name and Principal Position (a)	Year (b)	Salary ($) (c)	Bonus ($)(1) (d)	Option Awards ($)(2) (e)	Non-Equity Incentive Plan Compensation ($)(3) (f)	All Other Compen-sation ($)(4) (g)	Total ($) (h)
Joseph P. Mozden, Jr. (5)	2022	311,539	45,000	557,700	50,000	12,062	976,301
	2021	305,769	—	298,000	150,000	9,924	763,693
Kenneth A Minor (6)	2022	197,943	—	9,000	—	—	206,943
Chief Financial Officer and Secretary	2021	86,252	—	—	—	—	86,252
Robert M. Lipps	2022	244,038	—	18,000	20,000	9.922	291,960
Executive Vice President - Sales	2021	239,616	—	—	47,000	11,600	298,216

(1) The amount in column (d) represents a discretionary bonus awarded to Mr. Mozden for performance related to a prior agreement.
(2) The option awards in column (e) 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.
(3) The amounts in column (f) represent cash bonuses which were awarded for performance during the fiscal year based on a pre-established formula as described in the Narrative Discussion of Executive Compensation above.
(4) The amount shown under column (g) for the fiscal year 2022 includes Sonic's matching contribution under our 401(k) plan of $9,922 and $12,062 for Messrs. Lipps and Mr. Mozden.
(5) Mr. Mozden was appointed CEO on September 14, 2020.
(6) Mr. Minor was appointed CFO effective February 25, 2021 upon the retirement of Ms. Kelsy Boyd. His compensation represents cash payments made to his wholly owned consulting firm, Spotlight CFO Services, LLC and common stock options issued to him directly.

Outstanding Equity Awards at Fiscal Year-End

The following table shows information concerning outstanding equity awards as of September 30, 2022 held by the Named Executive Officers.

Name (a)	Number of Securities Underlying Unexercised Options (#) Exercisable (1) (b)	Number of Securities Underlying Unexercised Options (#) Unexercisable (1)(2) (c)	Option Exercise Price ($) (1) (d)	Option Expiration Date (1) (e)
Joseph P. Mozden, Jr.	134,000	66,000	3.16	10/20/2030
	195,000	195,000	2.95	12/21/2031
Kenneth A. Minor	0	5,000	3.70	12/1/2031
Robert M. Lipps	40,000	0	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
	0	10,000	3.70	12/21/2031

(1) All options were granted under our stockholder approved Employee Stock Option Plan.
(2) Unvested options for Mr. Mozden vest 5,500 on each month from October 14, 2022 through September 14, 2023; 20,000 on December 21, 2022; 65,000 each on December 21, 2023 and 2024; 45,000 on December 21, 2025.
(3) Unvested option for Mr. Minor vests 1,666 on December 1, 2022 and 1,667 on each of December 1, 2023 and 2024.
(4) Unvested options for Mr. Lipps vest 3,333 each on December 1, 2022 and 2023, and 3,334 on December 1, 2024.

Equity Compensation Plan Information

The following table summarizes share information, as of September 30, 2022, for the Company's equity compensation plans and arrangements.

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)	2,095,538	$ 3.74	1,224,917
Equity compensation plans not approved by security holders	—	—	—
Total	2,095,538	$ 3.74	1,224,917

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

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 2,000,000 to 3,000,000.

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 2,000,000 stock options, of which 1,425,600 were granted under the plan and 68,603 expired, leaving a balance of 1,356,997 granted on a net basis. Under the Amended 2020 Plan, 643,003 shares are 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 Compensation Committee, unless the context or applicable law requires otherwise.

Purpose. Our Amended 2020 Plan will advance the interests of Sonic 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, our subsidiary corporations or other affiliated entities of Sonic 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, 2022, we had a total of 193 employees and five non-employee directors who would be eligible to be granted awards from the Amended 2020 Plan. Consultants are also eligible to participate in the Amended 2020 Plan. The number of consultants generally fluctuates, but as of September 30, 2022, there were less than 25 consultants of the Company and its subsidiaries that would be eligible to participate in the Amended 2020 Plan. We have made awards to four consultants under the Amended 2020 Plan and expect to make future awards to consultants under the Amended 2020 Plan. Determination of awards under the Amended 2020 Plan will be made by the Compensation Committee based on factors such as the recipient's contributions to the Company, longevity of service, and retention incentives. Information about the number and roles of employees may also be found in our Annual Report on Form 10-K filed on December 8, 2022, copies of which were distributed to stockholders with this Proxy Statement.

Shares Subject to the Amended 2020 Plan. We are proposing to increase the number of shares reserved under the Amended 2020 Plan from 2,000,000 shares of our common stock to 3,000,000.

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 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's capital structure, or in the event of a dividend or distribution to our stockholders in a form other than Sonic common stock (excepting normal cash dividends) that has a material effect on the fair market value of shares of Sonic 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 (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 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 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'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 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 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 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 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 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 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 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 TWO AMENDING THE 2020 EQUITY INCENTIVE PLAN.

PROPOSAL THREE: ADVISORY VOTE ON COMPENSATION OF NAMED EXECUTIVE OFFICERS

Introduction

The core of Sonic's executive compensation policies and practices continues to be to pay for performance. Our executive officers are compensated in a manner consistent with our strategy, competitive practice, sound corporate governance principles, and stockholder interests and concerns. We believe our compensation program is strongly aligned with the long-term interests of our stockholders. We urge you to read the Narrative Discussion of Executive Compensation section of this proxy statement for additional details on our executive compensation, including our compensation philosophy and objectives and the 2022 compensation of our Named Executive Officers.

Pursuant to the "Say on Pay" rules enacted pursuant to Section 14A of the Exchange Act, we are asking you to vote on the adoption of the following resolution:

BE IT RESOLVED by the stockholders of Sonic Foundry, Inc., that the stockholders approve the compensation of Sonic's Named Executive Officers as disclosed in the proxy statement pursuant to the SEC's compensation disclosure rules.

As an advisory vote, this Proposal is non-binding. Although the vote is non-binding, the Board of Directors and the Compensation Committee value the opinions of our stockholders, and will consider the outcome of the vote when making future compensation decisions for our Named Executive Officers.

Vote Required

The affirmative vote of a majority of votes cast at the Annual Meeting is required for approval of this Proposal.

Recommendation of the Board of Directors

THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR PROPOSAL THREE.

PROPOSAL FOUR: 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, 2023, and has further directed that management submit the selection of independent public accountants for ratification by the stockholders at the Annual Meeting. We expect that representatives of Wipfli will be present at the Annual Meeting, with the opportunity to make a statement if they so desire, and will be available to respond to appropriate questions.

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 affirmative vote 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 FOUR RATIFYING THE APPOINTMENT OF WIPFLI AS INDEPENDENT AUDITORS FOR SONIC.

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, 2023.

During the years ended September 30, 2022 and 2021, 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 4, the Board has selected Wipfli to serve as our independent auditors for the fiscal year ending September 30, 2023.

Audit services performed by Wipfli for Fiscal years 2022 and 2021 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 2022 and 2021 Audit Firm Fee Summary

During fiscal years 2022 and 2021, we retained our principal accountants to provide services in the following categories and amounts:

	Years Ended September 30,	
	2022	2021
Wipfli LLP		
Audit Fees	$332,990	$ 270,580
Audit-Related Fees	15,400	11,000
Tax Fees	34,799	30,090
All Other Fees	—	—
Total Fees	$ 383,189	$ 311,670

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 four meetings during fiscal 2022.

Messrs. Murphy, St. Lawrence and Wiegand meet the rules of the SEC for audit committee membership and are "independent" as that term is used in Rule 10A-3 under the Exchange Act and under Nasdaq listing standards. A copy of the Audit Committee Charter is available on Sonic's website at www.sonicfoundary.com/investors.

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

[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.

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.

The Audit Committee has reviewed and discussed with our independent auditors, Wipfli, matters required to be discussed pursuant to the applicable requirements of the Public Company Accounting Oversight Board. The Audit Committee has also received the written disclosures and the letter from our independent auditors required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence, and has 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.

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 2022, 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, 2022, for filing with the SEC effective December 8, 2022.
Respectfully submitted,

AUDIT COMMITTEE
Nelson A. Murphy, Chair
William St. Lawrence
Brian T. Wiegand

RELATED PARTY TRANSACTIONS

Frederick H. Kopko, Jr., a former director, stockholder and lender of Sonic, is a partner in McBreen & Kopko, our SEC counsel prior to November 2022. During fiscal 2022, we paid the Chicago law firm of McBreen & Kopko certain compensation for legal services rendered subject to standard billing rates, which compensation totaled approximately \$119,000. Mr. Kopko resigned from the Board on November 15, 2022.

On November 16, 2022, the Company entered into a Loan and Security Agreement with Neltjeberg Bay Enterprises, LLC ("NBE") whereby NBE loaned the Company \$5,500,000 at a rate of 12% interest per annum due in 30 equal installments beginning on June 1, 2023. The facility also includes a 2% facility fee and a loan premium due at maturity equal to 20% of the amount loaned which is earned monthly based on the number of months the loan remains outstanding. The loan is secured by all assets of the Company. Mr. Kopko is the Managing Director of NBE.

On November 16, 2022, Sonic closed a financing transaction with Mark D. Burish, a director and the Non-Executive Chair of Sonic, whereby he loaned Sonic $3,000,000, purchased 1,176,471 shares of common stock at a price of $1.02 per share and received warrants to purchase 511,765 shares of common stock at an exercise price of $1.02 per share. The loan bears interest at a rate of 12% interest per annum due in 30 equal installments beginning on June 1, 2023. The loan also includes a 2% facility fee and a loan premium due at maturity equal to 20% of the amount loaned which is earned monthly based on the number of months the loan remains outstanding. The loan is secured by all assets of the Company.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires Sonic's officers and directors, and persons who own more than ten percent of Sonic's 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's knowledge, all reporting persons complied with all applicable filing requirements of Section 16(a) of the Exchange Act.

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 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.

Hedging Policy

Our insider trading policy prohibits our directors and employees, including our executive officers, from engaging in any short sale of the Company’s securities or any purchase or sale of put or call options involving the Company’s securities. All transactions in our securities by our directors and employees, including our executive officers, must be pre-cleared with our Insider Trading Compliance Officer (currently the Chief Financial Officer) under our insider trading policy.

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.

We have placed on our website for investors located at www.sonicfoundary.com/investors a description of our policy for our directors and nominee directors to attend the Annual Meeting and the number of directors who attended last year's annual meeting of shareholders.

STOCKHOLDER PROPOSALS FOR 2024 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 Exchange Act. For such proposals to be included in Sonic's proxy materials relating to its 2024 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 28, 2023). 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 2024 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 11, 2023 and December 11, 2023. 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, 2024, 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 2023 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 12, 2023) and (ii) any other proposal, if the 2023 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 Exchange Act. 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, 2022 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 Sonic's 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, 2022, 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 26, 2023

Ken Minor, Secretary

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, 2022
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:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	SOFO	Nasdaq Capital Market

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

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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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 12,070,654 as of December 5, 2022.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the 2022 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, 2022

TABLE OF CONTENTS

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 products and services, 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, Inc. (NASDAQ: SOFO) is dedicated to transforming how the world works and learns through innovative and scalable technology solutions. We help customers maximize the value of their video initiatives and infrastructure while leveraging our expertise and global footprint to help unlock a smarter, more connected world for learners, workers, and entrepreneurs everywhere. Sonic Foundry's family of brands includes Mediasite®, Video Solutions, Vidable™ and Global Learning Exchange™, which are trusted by thousands of educational institutions, corporations, and health care organizations in dozens of countries around the world.

Founded in 1991, Sonic Foundry, Inc. was 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 Solutions Address Today's Communication and Education Challenges

In this digital-first world, video adoption and utilization are at the core of every remote working and learning environment, helping to facilitate communication and collaboration, With Sonic Foundry's 30-year reputation as a leader in video technology and deep relationships in higher education, the Company is well-positioned to capitalize on the fundamental needs for rapid and remote communication in the workplace and classroom. Sonic Foundry's products and services help customers efficiently and cost-effectively address the challenge of sharing information whenever and wherever content is consumed.

Our Brands

<u>**Mediasite**</u>

Video Capture Solutions
Mediasite® is an integrated and scalable video management platform that quickly and cost-effectively automates the capture, management, and distribution of live and on-demand video content. Ideal for a wide spectrum of use cases from higher ed classrooms,

virtual lab experiences to corporate townhalls and online training modules, Mediasite is used by over 1500 educational institutions, corporations, health organizations and government entities globally.

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 & Mosaic Pro**: 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. Mosaic Pro extends those desktop software capabilities to multi-use PC's commonly used in classrooms and training rooms by adding full automation workflows and administrative controls that allow presenters to effortlessly publish video content from shared learning spaces.

The COVID pandemic permanently disrupted the way we live, work, and learn with video emerging as critical tool to communicate and learn. As part of Sonic Foundry's end-to-end video solutions, Mediasite video management and delivery solutions ensure the rapid and efficient delivery of recorded and live content.

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 educational 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 and in fiscal 2023 we are transitioning to a public cloud environment.

Vidable™

Vidable™ will be an integrated collection of AI-powered video analysis and enhancement tools designed to operate at enterprise scale. In today's enterprise environment, video is everywhere. With so much content being created and shared, traditional tools and processes for managing video cannot keep up. With today's cutting-edge advancements in AI and ML technology, it's possible to achieve in minutes, or seconds, what would have previously required days or weeks of painstaking effort. Vidable assembles the most applicable and functional AI video capabilities and delivers access to those tools through a single integrated platform. From simple AV quality edits like audio clean-up, background blurs, and lighting correction, to engagement-oriented enhancements like summaries and quizzing, Vidable can provide users with an all-in-one pipeline for enhancing the quality, accessibility, and engagement value of their entire video library.

Global Learning Exchange™

Global Learning Exchange™ (GLX) provides students in emerging countries access to higher education in flexible, cost effective, locally supported environments. GLX plans to open "hubs" in target countries, which will serve as support centers where local students can study, network with other students, obtain Wi-Fi access and receive educational and career support from a local hub team.

The Global Learning Exchange launched and opened its first hub in Nassau, Bahamas in July 2022 and has begun enrolling students. In September 2022, GLX announced a partnership with UNESCO's Read and Earn Federation to launch and promote a Nigeria-based education and skills development program. This partnership is expected to provide access and expedite enrollment of Nigerian higher ed students as GLX looks to expand into other markets.

In 2022, Global Learning Exchange signed agreements with three US universities and one skill certification provider to provide students in emerging countries with access to coursework, certifications, and degrees. The number of education providers is expected to expand as new US and UK partners come onboard to provide additional educational offerings to students.

Our Expanded Service Offerings Address the New Virtual World

Video Solutions (launched November 2022)
Formerly known as Mediasite Events, Video Solutions was rebranded and relaunched with expanded offerings in 2022. Video Solutions specializes in comprehensive video services and is organized around a simple value proposition: We make video easy, period. Video Solutions technicians and project managers have decades of experience successfully planning, managing, and executing video initiatives for event organizers, associations, and companies around the world. Video Solutions plugs into organizations as needed – providing self-service tools or full-service offerings supported by expert technicians and project managers. From organizing video capture and distribution for an in person, live or hybrid event, to migrating an existing video content library to the cloud to planning and executing an organization's video strategy from start to finish, Video Solutions is a full service offering that is customized specifically to an organization’s needs and objectives.

Mediasite Professional Services
Customers can maximize the value of their Mediasite instance and their video library with additional Mediasite Professional Services including integration services, installation assistance, custom development, training, cloud migration support and monitoring services. While COVID impacted the Company’s ability to do onsite services, the majority of its professional services are completed remotely, allowing for uninterrupted year-round professional services support for 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 Cloud include a standard Customer Care plan.

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, 2022.

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 2022 or 2021.

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 sell 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. In recent years, the Company has made extensive capital and technology investments to advance its services model, expand its cloud datacenters, grow recurring revenue by migrating loyal customers to cloud multi-year agreements and diversifying its core offerings through expansion into adjacent growth markets.

The company has also diversified its core offerings through expansion into adjacent markets with the launch of Video Solutions, Vidable™ and Global Learning Exchange™ in 2022.

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 manufacturer, 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, 2022 and 2021, we spent $7.6 million and $7.2 million, respectively, on internal research and development activities in our business. These amounts represent 28% in 2022 and 20% in 2021 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, 2022 and 2021, we had 193 and 180 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. We offer 6 weeks of PTO and flexible work arrangements that encourage employees to achieve a comfortable work-life balance.

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 has organized 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. Our strategy for growth is evolving.
    b. We have a history of losses.
    c. We may need to raise additional capital.
    d. If customer adoption has barriers, our business may not succeed.
    e. Large, multi-unit deals are needed for continued success.
    f. Because most of our service contracts are renewable on an annual basis, a reduction in our service renewal rate could significantly reduce our revenues.
    g. If we are viewed only as a commodity supplier, our margins and valuations will shrink.
    h. 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.
    i. 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.
    j. 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.
    k. Currency exchange rate fluctuations could result in higher costs and decreased margins and earnings.
    l. 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 2023 business plan includes an expectation that we invest aggressively in 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 a significant number of additional staff and program spending in key engineering, sales and management resources with little, impact on fiscal 2023 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

Our strategy for growth is evolving

While the Company continues to work at steadily improving results of its Mediasite business, we recognized growth constraints in our existing business, and, therefore, we are shifting our focus toward building our runway in adjacent markets for future growth strategies as follows:

- First, we are expanding our cloud capabilities to better support our customers' video needs. This is an important step in moving Sonic Foundry from primarily a hardware provider to a SaaS service provider with recurring revenue streams. A key aspect of this strategy is a move from third party data centers to a public cloud, which we are in the process of completing.
- Second, we are building a library of AI -enabled video solutions that can deliver instant, comprehensive, and automated video enhancement at scale, branded as Vidable. We believe the market for this technology is compelling.
- The third key component of our growth strategy is aimed at democratizing global higher education with a solution we have branded as Global Learning Exchange ("GLX"). U.S. and U.K. universities are being increasingly challenged with lower enrollment and are looking for ways to expand into new growth markets. In close collaboration with several university clients, we have identified a global supply-demand imbalance. There are many students worldwide that can afford a higher education yet do not have access to it for a variety of reasons—geo/political instability; international travel restrictions; and inadequate infrastructure. Our innovative solution will allow students to have an in-person experience in locally supported, affordable, community-centric environments that offer aggregated educational content. This is essentially master classes taught by top professors that encourage students to engage with one another in a collaborative and supported setting that bridges the educational gap and offers education opportunities in economically disadvantaged regions.

This transformation from focusing solely on our Mediasite business to investing substantially, not only in our current space, but in these adjacent markets began in fiscal 2022. While we expect modest revenue in fiscal 2023 from these growth initiatives, we intend to continue to aggressively invest in them with the expectation that they will ultimately result in greater revenue than our Mediasite business. Managing a business with a combination of mature and start-up brands is challenging and will likely require constant adjustment in the allocation of resources within the brands, particularly in the current weak economic environment. Such adjustments may delay expected growth in one or more brands or make retention of customers or employees more challenging. Any such changes will negatively impact our business.

We have a history of losses.
Our operations have generated losses in most years with a revenue trend that's been generally flat with a greater decline in fiscal 2022. We believe the downward trend in fiscal 2022 is largely isolated to our operations in Japan and other COVID related restrictions and will begin to reverse itself in fiscal 2023. Despite our plans to achieve greater growth in fiscal 2023, we still need to generate much greater growth in order to be successful. While we continue to invest in our video solutions and cloud businesses, which we believe have greater opportunities for growth than other areas of our Mediasite business, we are aggressively investing in revenue streams we believe will have even greater likelihood for growth which we've branded as our Vidable and Global Learning Exchange businesses. We may not realize sufficient
revenues to achieve success in these areas and will likely need to hire for certain targeted positions and invest more significantly in other areas well in advance of achieving meaningful revenue – leading to continued losses. 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.
- Fund these aggressive investments.

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, 2022, we had cash of $3.3 million, $1.1 million of which was in our foreign operations, compared to total cash of $10.0 million and foreign operations cash of $3.8 million at September 30, 2021. We entered into two new net $8.5 million term debt facilities on November 16, 2022 which requires compliance with certain covenants, restrictions and future capital transactions. On November 16, 2022, we also received $1.2 million funds through issuances of common stock. There can be no assurances that we will comply with such restrictions in the future and nor that other sources of financing will be available, or if available, on acceptable terms. The Company has a history of losses, is investing heavily in new brands in advance of achieving meaningful revenue and has historically financed its operations primarily through cash from sales of equity or debt securities, and to a limited extent, cash from operations. We cannot ensure that revenue will grow in fiscal 2023 or beyond, 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 other debt providers, attempt to raise equity capital or significantly reduce expenses.

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, or at all. 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.

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.

If we cannot raise funds on acceptable terms, our business, operating results, and financial condition would 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 and services, some of which are new or being developed. 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 migrating more customers to our cloud platform, on our success in delivering 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 complete larger transactions of 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 marketplace, 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 further 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 video solutions business pursued a greater percentage of virtual events during the onset of COVID restrictions. Some attendees and companies are less likely to attend virtual events which negatively impacted the number of events held yet increased per event revenue. Now that COVID restrictions have lapsed in certain geographies, some events have migrated back to in-person but at much lower levels than pre COVID, resulting in a lesser number of events without enhanced services associated with virtual events.

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 or invoice for services 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 video solutions 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 video solutions 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. 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 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, decreases or increases 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 and saw significant weakening of foreign currencies compared to the US dollar in fiscal 2022. The conversion rate of the Yen to the US Dollar varied from about 112 to approximately 150 during fiscal 2022, up from as strong as 102 to the US dollar in fiscal 2021. Similarly, the Euro varied from about 0.86 to approximately 1.04 to the US Dollar during fiscal 2022. 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 negatively impact our ability to sell US dollar denominated products and services into foreign countries and dilute the translation of local billed revenue in Japan and Europe

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.

We are in the process of migrating our hosted infrastructure to a public cloud which we believe will improve reliability, scalability and cost efficiency. This process will take several months to complete, will involve operational risks and may result in some customer attrition if they perceive that their data is less local, or at greater risk of being compromised. Any service outage or loss of revenue would have a negative impact on our results. In fiscal 2022 we recorded a non-cash impairment charge related to fixed assets in our data centers of $328 thousand. The charge is based on an estimate which could require additional charges in fiscal 2023 or 2024.

Our business is susceptible to risks associated with international operations.
International product and service billings were approximately 30% 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.

We have targeted more of our sales efforts at larger initial transactions – creating 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 transition from our data centers to a public cloud, 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 and may be impossible to do in a timely manner. 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. Our inventory levels at September 30, 2022 were $1.5 million compared to $442 thousand at September 30, 2021. 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 Mediasite brand is highly valued by the majority of our customers but faces significant competition from other products that may include features Mediasite doesn't include. Maintaining a competitive advantage has been and will likely continue to be challenging. Our fiscal 2023 business plan includes an expectation that we continue to develop and introduce new products and service offerings under our new Vidable and Global Learning Exchange brands. These offerings will likely take significant investment in key engineering, sales and management resources with little, impact on fiscal 2023 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 or may need to reallocate marketing resources from one brand to another. 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 world-wide. In particular COVID 19 has impaired budgets of our customers, eliminated or restricted the ability to hold in-person events, emptied classrooms where our solutions are deployed and 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. Such subsidies were expected in fiscal 2022 and did not occur. While we now believe they will occur in fiscal 2023 there can be no assurances they do get implemented, or have the impact we expect. 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, significant inflation, a declining stock market and challenges in obtaining labor and materials required to deliver products and services 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 and saw substantially increased costs and reduced tuition revenue during the COVID pandemic. 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. Many of our customers were unable to renew support during the pandemic due to many of these challenges and while many are still using the product and we expect they will renew support in the coming fiscal year, there can be assurances that will happen. 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, hire additional personnel experienced in data security 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 2022, 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, inflation and other 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 NASDAQ exchange under the symbol “SOFO”. Trading of our stock has often been subject to very low volumes, broad price swings and often with no Company news. We previously failed to meet continuing listing criteria required by Nasdaq and moved our listing to the OTC and ultimately the “Pink Sheets”. Volume, visibility and even the ability to invest in companies listed on such lower markets are much less than Nasdaq. Failure to meet Nasdaq listing requirements in the future may require a similar move, which will likely reduce trading in our common stock and put downward pressure on the stock price. There can be no assurance we are able to continue to meet the requirements of 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, 2022, we had 542 thousand outstanding warrants and 2.1 million of outstanding stock options granted under our stock option plans, 1.2 million of which are currently 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 38% of our outstanding common stock, and Mr. Burish, individually, owns approximately 34% 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 June 30, 2024. The rent for the remainder of the current lease period is approximately $58 thousand per month for 2022, and $58 thousand and $60 thousand for the calendar years 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 expired on December 31, 2021. Effective January 1, 2022, the operations moved to a new leased facility of 7,870 square feet with a lease term that will expire on December 31, 2023. The facility includes sales, technical and administrative functions. The rent through December 31, 2021 was approximately $48 thousand per month and $33 thousand per month starting from January 1, 2022.

Our European operations are managed in Utrecht, Netherlands in a leased facility of approximately 3,886 square feet with a term expiring on July 31, 2023. The Company has the option to renew. 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 January 25, 2022, we transferred the listing of our common stock to the NASDAQ Capital Market. 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 NASDAQ Capital Market and prior to January 25, 2022, as reported on the OTCQB Market.

	High	Low
Year Ended September 30, 2023:		
First Quarter (through November 9, 2022)	1.34	0.95
Year Ended September 30, 2022:		
First Quarter	4.01	2.81
Second Quarter	4.23	2.60
Third Quarter	3.24	1.37
Fourth Quarter	2.09	1.24
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

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.

Holders

At November 4, 2022, there were 202 common stockholders of record and approximately 2,500 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 and warrants	Weighted average exercise price of outstanding options and warrants	Number of securities remaining available for future issuance
Equity compensation plans approved by security holders (1)	2,095,538	$ 3.74	1,224,917
Warrants outstanding	542,450	$ 3.40	N/A
Total	2,637,988	$ 3.68	1,224,917

(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,				
	2022	2021	2020	2019	2018
Statement of Operations Data:					
Revenue	$ 27,466	$ 35,167	$ 34,753	$ 34,781	$ 34,544
Cost of revenue	8,653	10,294	9,634	9,280	9,656
Gross margin	18,813	24,873	25,119	25,501	24,888
Operating expenses	25,736	24,066	24,383	28,009	29,118
Impairment of goodwill & intangible assets	—	—	—	—	11,809
Income (loss) from operations	(6,923)	807	736	(2,508)	(16,039)
Other income (expense), net	(364)	4	(109)	(117)	142
Gain on debt forgiveness	—	2,325	—	—	—
Interest expense, net	(31)	(44)	(658)	(897)	(601)
Benefit (provision) for income taxes	235	(15)	(148)	(90)	4,332
Net income (loss)	$ (7,083)	$ 3,077	$ (179)	$ (3,612)	$ (12,166)
Dividends on preferred stock	$ —	$ —	$ —	$ (122)	$ (257)
Net income (loss) attributable to common shareholders	$ (7,083)	$ 3,077	$ (179)	$ (3,734)	$ (12,423)
Basic net income (loss) per common share	$ (0.72)	$ 0.37	$ (0.02)	$ (0.64)	$ (2.67)
Diluted net income (loss) per common share	$ (0.72)	$ 0.36	$ (0.02)	$ (0.64)	$ (2.67)
Weighted average common shares:					
– Basic	9,899,724	8,230,100	7,216,135	5,833,301	4,655,520
– Diluted	9,899,724	8,650,384	7,216,135	5,833,301	4,655,520

Balance Sheet Data at September 30:	2022	2021	2020	2019	2018
Cash and cash equivalents	$ 3,299	$ 9,989	$ 7,619	$ 4,295	$ 1,189
Working capital (deficit)	(2,612)	3,389	(1,488)	(847)	(5,765)
Total assets	19,900	24,015	22,629	15,180	13,583
Long-term liabilities	2,576	3,859	5,373	7,602	3,451
Stockholders' equity (deficit)	3,578	6,140	(1,048)	(6,253)	(6,458)

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 the global leader for video capture, management, and streaming solutions as well as virtual and hybrid events. Trusted by thousands of educational institutions, corporations, health organizations and government entities in over 65 countries with solutions that transform communication, training, and learning. Sonic Foundry's brands include Mediasite®, Mediasite Connect, Vidable™ and Global Learning Exchange™.

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 was unchanged in fiscal year 2022. The Company has 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. The allowance for doubtful accounts for accounts receivable and financing receivables was $53 thousand at September 30, 2022 and $261 thousand at September 30, 2021.

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, 2022 and 2021, 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 estimatable. 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 decreased by approximately $7.8 million from fiscal 2022 to fiscal 2021 consisting of the following:

- Product and other revenue from the sale of Mediasite recorder units and server software decreased from $10.5 million in fiscal 2021 to $8.1 million in fiscal 2022. Mediasite recorder revenue decreased $1.4 million and sofeware revenue decrased $1.1 million while shipping and other hand an increase of $160 thousand.

- 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 decreased from $24.7 million in fiscal 2021 to $19.3 million in fiscal 2022. The decrease is primarily due to reduction in event services and delays in renewals of contracts for hosting and support due to macro environment concerns and impact of foreign currency on Japanese yen and Euro to USD.

- At September 30, 2022, $9.7 million of revenue was deferred, of which we expect to recognize $8.6 million in the next twelve months, including approximately $3.3 million in the quarter ending December 31, 2022. At September 30, 2021, $11.0 million of revenue was deferred. The decrease in deferred revenue is due to lesser amount of billings in fiscal 2022 compared to revenue earned.

- Other revenue relates to freight charges billed separately to our customers as well as an economic impact fee which was established in fiscal 2022.

Gross Margin

Total gross margin in fiscal 2022 was $18.8 million or 68% compared to $24.9 million or 71% in fiscal 2021. The decline year over year is primarily attributed to the decrease in services revenue without the corresponding decrease in COGS expense in cost centers that support services revenue.

Operating Expenses

Selling and Marketing Expenses

Selling and marketing (“S&M”) 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.

S&M expense increased $294 thousand, or 2%, from $12.0 million in fiscal 2021 to $12.3 million in fiscal 2022. Fluctuations in the major categories include:

- Salary, commissions and benefits decreased by $1.3 million with an offsetting increase of $1.1 million in professional services due to reclassification of independent contractor fees from salary to professional services.
- General and administrative ("G&A") allocation increased $580 thousand due to centralizing selling and marketing executives into G&A cost centers in FY22.
- Travel and expenses increased $210 thousand due to the relaxation of COVID restrictions.
- Selling and marketing expenses for Sonic Foundry International and MSKK accounted for $584 thousand and $3.1 million, respectively in fiscal 2022, an aggregate decrease of $332 thousand from the prior year.

General and Administrative Expenses

General and administrative 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 increased by approximately $1.1 million, or 22%, to $5.9 million in fiscal 2022 from $4.9 million in fiscal 2021. Fluctuations in major categories include:

- Increase in facilities and supplies of $444 thousand associated with increased IT services supplies costs.
- Increase in professional fees of $413 thousand due to increased outside services and public company related costs.
- G&A expenses for Sonic Foundry International and MSKK accounted for $743 thousand and $930 thousand, respectively, in fiscal 2022, an aggregate increase of $298 thousand from the prior year.

Product Development Expenses

Product development ("PD") 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 $313 thousand, or 4%, from $7.2 million in fiscal 2021 to $7.5 million in fiscal 2022. The increase is primarily due to the following:

- Increase in supplies of $505 thousand due to investment in software costs.
- Decrease in miscellaneous expenses of $75 thousand primarily due to a decrease in quality assurance related expenses.
- Increase in G&A allocation of $307 thousand due to shifting of PD leadership headcount into G&A cost center in FY22. This is offset by a decrease in direct PD people costs of $65 thousand.
- PD expenses for Sonic Foundry International and MSKK accounted for $230 thousand and $313 thousand, respectively, for fiscal 2022, an aggregate decrease of $285 thousand from the prior year related to the subsidiaries.

There were $2.4 million software development costs in fiscal 2022 that qualified for capitalization. These costs are associated with development of new AI video tools for our Vidable product. In fiscal 2021, there was no capitalization of software development costs.

Other Income and Expense, Net

Interest expense for fiscal 2022 decreased $13 thousand compared to fiscal 2021. The Company also recorded $30 thousand of interest expense during fiscal 2022 related to the accretion of discounts on the PFG Loan and Warrant Debt compared to $61 thousand in the same period last year. In addition, the Company recorded no amortization expense related to the back-end fee on the PFG loan for fiscal 2022 due to the debt being paid off in May 2021, compared to $32 thousand in fiscal 2021.

During fiscal 2022, a gain in fair value of $53 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 gain in fair value of $12 thousand during fiscal 2021.

During fiscal 2022, a $364 thousand loss, as the net result of other expense and income, was recorded and it is due to the foreign currency translation changes between the foreign subsidiaries, primarily due to currency changes in Japan, with MSKK.

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, 2022, the Company's foreign currency translation adjustment was a loss of $364 thousand compared to a loss of $156 thousand in the year ended September 30, 2021. The loss in fiscal 2022 is attributable to the weakening of the Japanese Yen and the Euro compared to the U.S. dollar.

During fiscal 2022, the Company recorded an aggregate transaction loss of $63 thousand compared to an aggregate gain of $16 thousand during fiscal 2021. 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 from operations and debt and equity financing. During fiscal 2022, the Company used $5.6 million cash for operating activities, compared with $1.2 million of cash provided in operating activities in fiscal 2021. The primary factors effecting the $5.6 million cash used by operating activities are the $7.1 million net loss, $881 thousand change in unearned revenue, $1.0 million increase in inventory, $213 thousand change in operating lease associated liabilities, and $235 thousand change in deferred taxes, partially offset by $3.9 million other operating activities including primarily $747 thousand stock-based compensation expenses, $1.3 million depreciation expenses, $328 thousand loss on fixed asset impairment, $222 thousand change in operating lease associated ROU asset, $143 thousand change in investment type lease, $170 thousand change in capitalized commissions, $530 thousand change in accounts payable and accrued liabilities, and $365 thousand in other long term assets.

Capital expenditures for property and equipment were $2.6 million in fiscal 2022 compared to $1.5 million in fiscal 2021. Capitalized software development costs were $2.4 million in fiscal 2022 compared to no capitalization in fiscal 2021.

Cash flows for financing activities provided $4.5 million during 2022. Payments on capital lease and financing arrangements of $75 thousand were offset by proceeds from stock option exercises of $122 thousand, proceeds from notes payable of $441 thousand and common stock issuance of $4.0 million. For the same period in fiscal 2021, the Company was provided $2.7 million of cash flows from financing activities primarily due to $3.7 million proceeds from issuance of common stock partially offset by $935 thousand due to payment on notes payable.

At September 30, 2022, there was no balance outstanding on the line of credit with US Bank. The line of credit with Mitsui Sumitomo Bank matured on February 28, 2022 and was not renewed.

At September 30, 2022, the Company had $921 thousand outstanding, net of warrant debt, related to notes payable with PFG V and Mediasite K.K term debt. 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 Mediasite K.K. term debt.

At September 30, 2022 approximately $1.1 million of cash and cash equivalents was held by the Company's foreign subsidiaries.

The Company believes its cash position, including capital raised in November 2022, 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 were intended to satisfy the initial listing requirements of the Nasdaq Capital Market. On April 19, 2022, the Company closed a public offering of common stock issuance totaling $4.3 million, net of $406 thousand expenses. The proceeds of the stock issuance will be invested in the Company's new products, GLX and Vidable.

On November 16, 2022 the Company entered into two agreements for a total of $8.5 million debt at a rate of 12% interest per annum due in 30 equal installments beginning on June 1, 2023. On November 16, 2022 The Company entered into a Subscription Agreement with Mr Mark Burish for a total of $1.2 million of common stock purchase with warrant attached. See Note 10. Subsequent Events for more details.

Contractual Obligations

The following summarizes our contractual obligations at September 30, 2022 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 purchase commitments	$ 3,476	$ 3,476	$ —	$ —	$ —
Service purchase commitments	1,581	664	917	—	—
Operating lease obligations	2,180	1,182	827	133	38
Capital lease obligations (a)	25	10	12	3	—
Notes payable (a)	934	563	127	124	120

(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, 2022, 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, 2022 and 2021, and the related statements of operations, comprehensive income (loss), stockholders' equity (deficit), and cash flows for the years ended, 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, 2022 and 2021 and the results of its operations and its cash flows for the years ended, 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 8, 2022

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

	September 30, 2022	September 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 3,299	$ 9,989
Accounts receivable, net of allowances of $53 and $261	4,923	5,167
Inventories, net	1,462	442
Investment in sales-type lease, current	281	294
Capitalized commissions, current	224	360
Prepaid expenses and other current assets	945	1,153
Total current assets	11,134	17,405
Property and equipment:		
Leasehold improvements	1,460	1,111
Computer equipment	9,274	8,527
Furniture and fixtures	1,405	1,528
Total property and equipment	12,139	11,166
Less accumulated depreciation and amortization	8,705	8,368
Property and equipment, net	3,434	2,798
Other assets:		
Investment in sales-type lease, long-term	221	490
Capitalized commissions, long-term	42	76
Right-of-use assets under operating leases	2,053	2,441
Deferred tax asset	275	48
Software development	2,445	—
Other long-term assets	296	757
Total assets	$ 19,900	$ 24,015
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	1,904	1,072
Accrued liabilities	1,521	2,522
Current portion of unearned revenue	8,599	9,413
Current portion of finance lease obligations	10	79
Current portion of operating lease obligations	1,147	930
Current portion of notes payable and warrant debt, net of discounts	565	—
Total current liabilities	13,746	14,016
Long-term portion of unearned revenue	1,140	1,614
Long-term portion of finance lease obligations	15	26
Long-term portion of operating lease obligations	975	1,583
Long-term portion of notes payable and warrant debt, net of discounts	356	556
Derivative liability, at fair value	—	53
Other liabilities	90	27
Total liabilities	16,322	17,875
Commitments and contingencies		
Stockholders' equity:		
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	—	—
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 25,000,000 shares; 10,905,649 and 9,064,821 shares issued and 10,892,933 and 9,052,105 shares outstanding	109	91
Additional paid-in capital	218,145	213,278
Accumulated deficit	(213,525)	(206,442)
Accumulated other comprehensive loss	(982)	(618)
Treasury stock, at cost, 12,716 shares	(169)	(169)
Total stockholders' equity	3,578	6,140
Total liabilities and stockholders' equity	$ 19,900	$ 24,015

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, 2022	2021
Revenue:		
Product and other	$ 8,135	$ 10,473
Services	19,331	24,694
Total revenue	27,466	35,167
Cost of revenue:		
Product and other	3,054	4,042
Services	5,599	6,252
Total cost of revenue	8,653	10,294
Gross margin	18,813	24,873
Operating expenses:		
Selling and marketing	12,264	11,970
General and administrative	5,933	4,870
Product development	7,539	7,226
Total operating expenses	25,736	24,066
Income (Loss) from operations	(6,923)	807
Non-operating income (expenses):		
Interest expense, net	(31)	(44)
Gain on debt forgiveness	—	2,325
Other income (expense), net	(364)	4
Total non-operating income (expense)	(395)	2,285
Income (loss) before income taxes	(7,318)	3,092
Income tax benefit (expense)	235	(15)
Net income (loss)	$ (7,083)	$ 3,077
Income (Loss) per common share:		
Basic net income (loss) per common share	$ (0.72)	$ 0.37
Diluted net income (loss) per common share	$ (0.72)	$ 0.36
Weighted average common shares – Basic	9,899,724	8,230,100
– Diluted	9,899,724	8,650,384

See accompanying notes to the consolidated financial statements.

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

	Years Ended September 30, 2022	Years Ended September 30, 2021
Net income (loss)	$ (7,083)	$ 3,077
Other comprehensive loss		
Foreign currency translation adjustment	(364)	(156)
Comprehensive income (loss)	$ (7,447)	$ 2,921

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, 2020	$ -	$ 80	$ 209,022	$ (209,519)	$ (462)	$ (169)	$ (1,048)
Stock compensation	—	—	487	—	—	—	487
Issuance of common stock	—	10	3,506	—	—	—	3,517
Stock option exercise	—	1	263	—	—	—	263
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
Stock compensation	—	—	747	—	—	—	747
Issuance of common stock	—	17	3,999	—	—	—	4,016
Stock option exercise	—	1	121	—	—	—	122
Foreign currency translation adjustment	—	—	—	—	(364)	—	(364)
Net loss	—	—	—	(7,083)	—	—	(7,083)
Balance, September 30, 2022	—	109	218,145	(213,525)	(982)	(169)	3,578

See accompanying notes to the consolidated financial statements.

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

	Years Ended September 30, 2022	2021
Operating activities		
Net Income (Loss)	$ (7,083)	$ 3,077
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Amortization of other intangibles	31	49
Depreciation and amortization of property and equipment	1,305	1,263
Deferred income taxes	(235)	—
Loss on sale of fixed assets	36	37
Loss on impairment of fixed assets	328	—
Provision for doubtful accounts	(50)	25
(Recovery of) Provision for inventory reserve	—	(16)
Stock-based compensation expense related to stock options	747	487
Stock issued for board of director's fees	49	70
Remeasurement gain on derivative liability	(53)	(13)
Gain on debt forgiveness	—	(2,325)
Changes in operating assets and liabilities:		
Accounts receivable	(37)	821
Inventories	(1,034)	734
Investment in sales-type lease	143	(452)
Capitalized commissions	170	104
Prepaid expenses and other current assets	12	(121)
Right-of-use assets under operating leases	222	(387)
Operating lease obligations	(213)	445
Other long-term assets	365	(438)
Accounts payable and accrued liabilities	530	(989)
Other long-term liabilities	90	(110)
Unearned revenue	(881)	(1,015)
Net cash provided by (used in) operating activities	(5,558)	1,246
Investing activities		
Purchases of property and equipment	(2,596)	(1,482)
Capitalization of software development costs	(2,445)	—
Net cash provided by (used in) investing activities	(5,041)	(1,482)
Financing activities		
Proceeds from notes payable	441	—
Payments on notes payable	—	(935)
Proceeds from issuance of common stock, net of issuance costs	3,967	3,447
Proceeds from exercise of common stock options	122	263
Payments on finance lease obligations	(75)	(120)
Net cash provided by financing activities	4,455	2,655
Changes in cash and cash equivalents due to changes in foreign currency	(546)	(49)
Net increase (decrease) in cash and cash equivalents	(6,690)	2,370
Cash and cash equivalents at beginning of year	9,989	7,619
Cash and cash equivalents at end of year	$ 3,299	$ 9,989

Supplemental cash flow information:

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

Interest paid	$	2	$	32
Income taxes paid, foreign		88		97
Non-cash financing and investing activities:				
Property and equipment financed by finance lease or accounts payable		73		152

See accompanying notes to the consolidated financial statements.

1. Basis of Presentation and Significant Accounting Policies

Business
Sonic Foundry, Inc. is the global leader for video capture, management, and streaming solutions as well as virtual and hybrid events. Trusted by thousands of educational institutions, corporations, health organizations and government entities in over 65 countries with solutions that transform communication, training, and learning. Sonic Foundry's brands include Mediasite®, Mediasite Connect, Vidable™ and Global Learning Exchange™.

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, hosted, 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 issued 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 at a later date.

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 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, 2022, $2.2 million is deposited with one major U.S. financial institution of the $3.3 million total cash and equivalents. At times, deposits normally 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 $1.1 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 2022, the Company recorded an aggregate transaction loss of $63 thousand compared to an aggregate gain of $16 thousand during fiscal 2021. The aggregate transaction gain or loss is included in the other expense 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 $53 thousand at September 30, 2022 and $261 thousand at September 30, 2021.

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, 2022 and 2021 this supplier represented approximately 23% and less than 1%, respectively, of accounts payable. 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, 2022:

Investment in sales-type lease, gross:		
2023	$	281
2024		157
2025		64
Gross investment in sales-type lease		502
Less: Unearned income		—
Total investment in sales-type lease	$	502
Current portion of total investment in sales-type lease	$	281
Long-term portion of total investment in sales-type lease		221
	$	502

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. The obsolescence reserve is calculated based on how frequently an item is sold. Infrequently sold items are fully reserved and the reserve is reviewed on a recurring basis.

Inventory consists of the following (in thousands):

	September 30,	
	2022	2021
Raw materials and supplies	$ 507	$ 301
Finished goods	1,062	247
Less: Obsolescence reserve	(107)	(106)
Inventories	$ 1,462	$ 442

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 incurred in the application development stage are capitalized and reported at the lower of amortized cost or net realizable value of the related product. Until the first quarter of 2022, the period between achieving technological feasibility of the Company's products and the general availability of the products has been short. During fiscal year 2022, the Company capitalized approximately $2.4 million in software development costs related to new products as technological feasibility was established during the period. As of September 30, 2022, the product has not been released for sale.

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 for equipment not used in the US data center, UK data center, and Europe (EU) data center is not included in cost of revenue. In August 2022, the Company signed a contract with Amazon Web Services (AWS) to transition the Company's cloud customers from the US, UK, and EU data centers to AWS cloud. Based on the project plan, the EU data center will be retired in January 2023; the UK data center will be retired in July 2023; and the US data center will be retired in January 2024. The Company followed guidance provided by FASB Accounting Standards Codification (ASC) Topic 360, "Property, Plant, and Equipment," to evaluate potential impairment. For assets not impaired, the Company re-evaluated the estimated useful life for the data centers equipment and adjusted its depreciation expense to reflect the effect on loss from continuing operations. As a result, the Company's depreciation expense for the US, UK, and EU data centers increased by $91 thousand for fiscal 2022. This change is due to the shortened service life of the data center equipment.

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. The Company followed the accounting guidance provided by ASC 360-10 and used the fair value, quoted price from potential buyers, to measure the impairment loss. The Company recorded a $328 thousand impairment loss in the year ended September 30, 2022, due to the transition of hosting service to Amazon Web Services, that is recorded in the cost of revenue section on the statement of operations. This asset is located in Europe. The transition is a strategic initiative to improve the Company's cloud environment for the customers and reduce the needs of large capital investment and operating expense on a long-term base.

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, 2022 and 2021, the Company has recorded a liability of $77 and $129 thousand, respectively, for retirement obligations associated with returning the MSKK leased property to the respective lessors upon the termination of the lease arrangement. At September 30, 2021, asset retirement obligations were included in short-term liabilities and paid off during Q1 2022. A new asset retirement obligation was recorded for the new MSKK office lease and is included in other-long term liabilities on the condensed consolidated balance sheets.

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

Asset retirement obligation at September 30, 2020	$	134
Accretion expense		2
Foreign currency changes		(7)
Asset retirement obligation at September 30, 2021		129
Settlement of ARO		(129)
Additional ARO for new office lease		95
Accretion expense		1
Foreign currency changes		(19)
Asset retirement obligation at September 30, 2022	$	77

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 $358 thousand and $439 thousand for years ended September 30, 2022 and 2021, respectively.

Research and Development Costs

Research and development costs relate to 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, 2022 and 2021, 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. As of September 30, 2022, the Company has a deferred tax asset in the amount of $275 thousand on the balance sheet relating to foreign net operating losses that the Company believes is "more likely than *not"* to be realized before expiration of the foreign net operating loss income tax benefit. In prior periods, the foreign deferred tax was immaterial and recorded within other long-term assets.

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, 2022	**Level 1**	**Level 2**	**Level 3**	**Fair Value**
Derivative liability	$ —	$ —	$ —	$ —

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

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).

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, 2022 or 2021.

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,	
	2022	2021
Expected life (years)	4.9 - 5.3	4.3-5.3
Risk-free interest rate	1.07% - 3.03%	0.33% - 0.59%
Expected volatility	64.83% - 67.21%	65.00% - 83.29%
Expected forfeiture rate	14.65% - 20.00%	14.18%- 16.41%
Expected exercise factor	2.02 - 2.03	1.2 - 1.87
Expected dividend yield	0%	0%

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,	
	2022	**2021**
Denominator for basic earnings (loss) per share -weighted average common shares	9,899,724	8,230,100
Effect of dilutive options and warrants (treasury method)	—	420,284
Denominator for diluted earnings (loss) per share -adjusted weighted average common shares	9,899,724	8,650,384
Options and warrants outstanding during each year, but not included in the computation of diluted earnings (loss) per share because they are antidilutive	2,637,988	1,333,174

Liquidity

At September 30, 2022 approximately $1.1 million of cash and cash equivalents was held by the Company's foreign subsidiaries.

On November 16, 2022, the Company entered into two agreements for a total of $8.5 million debt at a rate of 12% interest per annum due in 30 equal installments beginning on June 1, 2023. On November 16, 2022, the Company entered into a Subscription Agreement with Mr Mark Burish for a total of $1.2 million of common stock purchase with warrant attached. See Note 13. Subsequent Events for more details. The Company believes its cash position, including capital raised in November 2022, is adequate to accomplish its business plan through at least the next twelve months. We may also seek additional equity or debt 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, 2022, the Company had no involuntary termination benefits under ASC 712, which is consistent with the prior year.

During the year ended September 30, 2022, the Company expensed $76 thousand termination benefits under ASC 420, compared to $157 thousand in the prior year.

Recent Adopted Accounting Pronouncements

Income Taxes (ASC Topic 740)

In December 2019, the FASB issued ASU 2019-12, "Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes", ("ASU 2019-12"). On October 1, 2021, the company adopted ASU 2019-12. The implementation of this standard did not result in a material impact to the Company's consolidated financial statements.

Recent Accounting Pronouncements

Financial Instruments - Credit Losses (ASU 2016-13)

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 $19 thousand at September 30, 2022 and $90 thousand at September 30, 2021.

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, 2022, future maturities of operating and finance lease liabilities for the fiscal years ended September 30 are as follows (in thousands):

	Operating Leases	Finance Leases
2023	$ 1,182	$ 10
2024	746	8
2025	81	4
2026	75	4
2027	59	—
Thereafter	37	—
Total	2,180	26
Less: imputed interest	(58)	(1)
Total	$ 2,122	$ 25

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

	Fiscal Year Ended	
	September 30, 2022	**September 30, 2021**
Operating lease costs	$ 1,370	$ 1,493
Variable operating lease costs	23	(254)
Total operating lease cost	$ 1,393	$ 1,239
Finance lease cost:		
Amortization of right-of-use assets	$ 69	$ 121
Interest on lease liabilities	4	10
Total finance lease cost	$ 73	$ 131

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 for the year ended September 30, 2021, 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, 2022	**September 30, 2021**
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows for operating leases	$ 1,271	$ 1,163
Operating cash outflows for finance leases	4	10
Financing cash outflows for finance leases	75	120

Other information related to leases was as follows:

	September 30, 2022	**September 30, 2021**
Weighted average remaining lease term (in years)		
Operating leases	2.4	2.9
Finance leases	2.9	1.9
Weighted average discount rate		
Operating leases	2.30%	4.05%
Finance leases	2.65%	6.41%

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, 2022, the Company has an obligation to purchase $3.5 million of Mediasite product and $664 thousand of services during fiscal year 2023, $500 thousand of services during fiscal year 2024, and $417 thousand in services during fiscal 2025.

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, 2022, and September 30, 2021, the estimated fair value of the derivative liability associated with the warrants issued in connection with the 2018 Loan and Security Agreement, was $0 thousand and $53 thousand, respectively. Included in other expense, the remeasurement gain on the derivative liability during fiscal year 2022 and 2021 was $53 and $12 thousand, respectively.

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 2022, the Company recorded accretion of discount expense associated with the warrants issued with PFG V loan of $31 thousand compared to $27 thousand in fiscal 2021.

Effective May 11, 2021, the PFG V Debt fully matured and was paid off. 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, 2022 and 2021, there was no balance outstanding on the term debt with PFG V. Therefore, $0 thousand of amortization of the debt discount was recorded for the year ended September 30, 2022, compared to $34 thousand last year. The carrying value of the Warrant Debt (inclusive of its conversion feature) was $229 thousand and $198 thousand, respectively, at September 30, 2022 and 2021.

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 the PPP Loan was received, US GAAP guidance for debt (ASC 470) was followed by the Company. A liability was recognized and interest was accrued over the term of the loan. Therefore, according to the guidance, the amount forgiven is recorded as a 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.

Amendment to Line of Credit dated March 30, 2022

The Company entered into an amendment to the Credit Agreement with U.S. Bank National Association on March 30, 2022. Under the Amendment, the Company may borrow from the Bank, for general and working capital purposes, an aggregate amount outstanding at any one time of $3,000,000 at an annual rate equal to 1.45% plus the greater of (i) zero percent (0.0%) and (ii) the one-month forward-looking term rate based on SOFR quoted by Bank from the Term SOFR Administrator's Website. The Amendment also, among other things, extended the maturity date from July 28, 2022 to March 31, 2023. In connection with the Credit Agreement, the Company is also required to maintain a collateral account with the Bank in the name of the Company but under the sole control of the Bank. As a condition to drawing on the Revolving Credit Loan, the Company will deposit into the Collateral Account funds in an amount equal to the amount of principal the Company wishes to draw on the Revolving Credit Loan. Previous covenants and borrowing base requirements were removed as part of this amendment.

Other Indebtedness

Mediasite K.K. had a line of credit with Mitsui Sumitomo Bank, allowing borrowings up to approximately $410 thousand. The line of credit matured on February 28, 2022 and was not renewed. At September 30, 2021 and September 30, 2022, no balance was outstanding on the line of credit.

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, 2022, $277 thousand is included in the current portion of notes payable.

On September 30, 2022, Mediasite K.K. and Resona Bank, Ltd. entered into a $415 thousand loan agreement. The loan has a term of 7 years and carries a fixed rate of 1.475% per annum. The loan will be repaid via monthly installments of $5 thousand from October 31, 2022 through September 28, 2029. As of September 30, 2022, $59 thousand is included in the current portion of notes payable.

In the years ended September 30, 2022 and 2021, 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)		
2023	$	565
2024		60
2025		60
2026		59
2027		59
Thereafter		118
Total principal payments	$	921

4. Balance Sheet

Prepaid Expenses and Other Current Assets

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

	September 30, 2022	September 30, 2021
Prepaid expenses	$ 693	$ 1,097
Prepaid insurance	31	11
Other current assets	221	45
Total	$ 945	$ 1,153

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, 2022	September 30, 2021
Accrued compensation	$ 778	$ 1,530
Accrued expenses	602	590
Accrued interest & taxes	80	241
Other accrued liabilities	61	161
Total	$ 1,521	$ 2,522

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

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, 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
Remaining 2009 Plan shares cancelled	(1,060,524)	—
Approval of additional 1 million shares Equity Incentive Stock Option Plan	1,000,000	—
Options granted	(877,250)	(13,500)
Options forfeited, cancelled, and expired	479,593	3,000
Shares available for grant at September 30, 2022	1,161,417	63,500

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

	Years Ended September 30,			
	2022		2021	
	Options	Weighted Average Exercise Price	Options	Weighted Average Exercise Price
Outstanding at beginning of year	1,853,479	$ 4.44	1,707,515	$ 5.09
Granted	890,750	3.17	578,467	3.42
Exercised	(166,098)	1.98	(127,555)	2.14
Forfeited, cancelled, and expired	(482,593)	5.99	(304,948)	6.89
Outstanding at end of year	2,095,538	$ 3.74	1,853,479	$ 4.44
Exercisable at end of year	1,163,820	$ 4.15	1,269,854	
Weighted average fair value of options granted during the year	$ 1.48		$ 1.57	

The weighted-average remaining contractual life of exercisable shares is 6.0 years.

The options outstanding at September 30, 2022 have been segregated into four ranges for additional disclosure as follows:

	Options Outstanding			Options Exercisable	
Exercise Prices	Options Outstanding at September 30, 2022	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Options Exercisable at September 30, 2022	Weighted Average Exercise Price
$0.66 to $2.49	377,032	6.46	$ 1.57	311,612	$ 1.60
$2.61 to $4.81	1,455,838	8.52	$ 3.44	589,874	$ 3.55
$5.08 to $8.92	155,558	1.71	$ 7.44	155,224	$ 7.44
$9.08 to $10.92	107,110	1.65	$ 10.09	107,110	$ 10.09
	2,095,538			1,163,820	

As of September 30, 2022, there was $1.1 million of total unrecognized compensation cost related to non-vested stock-based compensation, with total forfeiture adjusted unrecognized compensation costs of $720 thousand. The cost is expected to be recognized over a weighted-average life of 2.0 years. 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.

A summary of the status of the Company's non-vested shares under all plans at September 30, 2022 and for the year then ended is presented below:

	Options	Weighted Average Grant Date Fair Value
Non-vested options at October 1, 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
Granted	890,750	1.48
Vested	(456,174)	1.19
Forfeited	(86,316)	1.21
Non-vested options at September 30, 2022	931,718	$ 1.57

Stock-based compensation recorded in the year ended September 30, 2022 was $747 thousand. Stock-based compensation recorded in the year ended September 30, 2021 was $487 thousand. Cash received from exercises under all stock option plans and warrants for the years ended September 30, 2022 and 2021 was $122 thousand and $263 thousand, respectively. There were no tax benefits realized for tax deductions from option exercises for the years ended September 30, 2022 or 2021. 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 20 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 80,314 shares are available to be issued under the plan at September 30, 2022.

There were 19,353 and 9,773 shares purchased by employees during fiscal 2022 and 2021, respectively. The Company recorded stock compensation expense under this plan of $10 thousand and $9 thousand during fiscal 2022 and 2021, respectively. Cash received from issuance of stock under this plan was $37 thousand and $31 thousand during fiscal 2022 and 2021, 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 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.

On April 19, 2022, the Company and its underwriter entered into warrant agreement pursuant to which the underwriter has the right to purchase an aggregate of 6% of the shares of common stock issued in the offering or total of 102,000 shares, at an initial price of $3.06 per share, before April 19, 2027.

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, 2022 and 2021, 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.

No shares of Preferred Stock, Series A were issued and outstanding as of September 30, 2022 or 2021.

Common Stock Transactions

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.

On April 13, 2022, the Company announced an underwritten public offering of 1,700,000 shares of its common stock at a public offering price of $2.55 per share. The company granted the underwriter a 45-day option to purchase up to an additional 255,000 shares of common stock at the public offering price, less underwriting discounts and commissions.

The option to purchase additional shares was not exercised and the 45-day option period has expired. The Company also issued Underwriter Warrants that grants the underwriter the right to purchase an aggregate of 6% of the shares of common stock issued in the offering or total of 102,000 shares.

The Underwriters Warrants shall be exercisable, in whole or in part, commencing 181 days after April 13, 2022, and expiring on the five-year anniversary of the date on which the Underwriters Warrants first become exercisable, at an initial exercise price of $3.06 per share.

On April 19, 2022, the public offering closed. Gross proceeds from the sale of 1,700,000 shares before deducting underwriting discounts and commissions and other offering expenses were approximately $4.3 million. Cost associated with the offering was $406 thousand consisting of finder's fees, underwriting fees, legal fees, accounting service fees, and transfer agent closing fees.

Uplisting to Nasdaq Capital Market

On January 24, 2022, the Company announced that the Nasdaq Stock Market LLC ("Nasdaq") had approved its application for uplisting the Company's common stock to the Nasdaq Capital Market. Sonic Foundry's common stock commenced trading on the Nasdaq Capital Market at the opening of the market on Tuesday, January 25, 2022, under the Company's former ticker symbol "SOFO."

Increase in Authorized Shares of Common Stock

On February 2, 2022, the Company's Board of Directors approved a resolution to increase the authorized number of shares of common stock of the Company, par value $.01 per share, from 15,000,000 to 25,000,000.

6. Income Taxes

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

	Years Ended September 30,	
	2022	**2021**
Current income tax expense U.S.	$ —	$ —
Current income tax expense foreign	(7)	20
Deferred income tax (benefit)	(228)	(5)
Provision for income taxes	$ (235)	$ 15

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

	Years Ended September 30,	
	2022	2021
U.S.	$ (3,115)	$ 2,702
Foreign	(4,203)	390
Income (Loss) before income taxes	$ (7,318)	$ 3,092

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,	
	2022	2021
Income tax expense (benefit) at statutory rate	$ (1,537)	$ 649
State income tax expense	14	9
Foreign rate differential	(593)	(31)
PPP loan forgiveness	—	(488)
Permanent differences, net	425	67
Expiration of net operating losses	3,129	3,945
Change in valuation allowance	(1,894)	(4,255)
Return to provision true-up	(13)	166
Other	234	(47)
Income tax (benefit) expense	$ (235)	$ 15

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

	September 30,	
	2022	2021
Deferred tax assets:		
Net operating loss and other carryforwards	$ 15,189	$ 16,893
Common stock options	1,038	1,003
Unearned revenue	271	343
Interest expense limitation	29	10
Lease liability	442	575
Other	310	330
Total deferred tax assets	17,279	19,154
Deferred tax liabilities:		
ROU - Asset	(431)	(570)
Other	(252)	(321)
Total deferred tax liabilities	(683)	(891)
Net deferred tax asset	16,596	18,263
Valuation allowance	(16,321)	(18,215)
Net deferred tax asset	$ 275	$ 48

The Company has a $275 thousand and $48 thousand deferred tax asset at September 30, 2022 and 2021, respectively, recorded within deferred tax asset on the consolidated balance sheet and is primarily related to net operating losses of MSKK.

At September 30, 2022, the Company had net operating loss carryforwards of approximately $50 million for U.S. Federal and $62 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 2022 and those with 20 year lives will continue to expire through 2037. Approximately $10 million of the federal NOLs are indefinite lived. For state tax purposes, the carryforwards expire in varying amounts between 2022 and 2042. Utilization of the Company's net operating loss carry forwards may be subject to substantial annual expirations due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Approximately $14.3 million and $18.8 million of federal net operating loss carryforwards expired during for the years ended September 30, 2022 and ended September 30, 2021, respectively.

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 2022 and fiscal 2021, 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, 2022, 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, 2022, there were no unremitted earnings for foreign subsidiaries 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, 2022 or September 30, 2021 and has not recognized any interest or penalties in the Consolidated Statements of Operations for either of the years ended September 30, 2022 or 2021.

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 $441 thousand and $400 thousand during the years ended September 30, 2022 and 2021, respectively. The Company made no additional discretionary contributions during 2022 or 2021.

8. Revenue

Disaggregation of Revenues

The following table summarizes revenues from contracts with customers for the years ended September 30, 2022 and 2021, respectively, (in thousands):

	Fiscal Year Ended September 30, 2022				
	SOFO	SFI	MSKK	Eliminations	Total
Revenue:					
Hardware	$ 5,238	$ 409	$ 296	$ (526)	$ 5,417
Software	2,062	399	407	(387)	2,481
Shipping	227	10	—	—	237
Product and other total	7,528	818	703	(913)	8,135
Support	4,948	502	1,659	(699)	6,410
Hosting	5,446	879	1,087	(394)	7,018
Events	3,146	50	1,268	—	4,464
Installs and training	714	906	153	(334)	1,439
Services total	14,253	2,337	4,167	(1,427)	19,331
Total revenue	$ 21,781	$ 3,155	$ 4,870	$ (2,340)	$ 27,466

	Fiscal Year Ended September 30, 2021				
	SOFO	SFI	MSKK	Eliminations	Total
Revenue:					
Hardware	$ 5,759	$ 607	$ 1,423	$ (984)	$ 6,806
Software	2,663	458	863	(396)	3,588
Shipping	74	5	-	-	79
Product and other total	8,496	1,070	2,286	(1,380)	10,473
Support	6,588	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	17,165	2,012	6,820	(1,302)	24,694
Total revenue	$ 25,661	$ 3,082	$ 9,106	$ (2,682)	$ 35,167

Transaction price allocated to future performance obligations

As of September 30, 2022, the aggregate amount of the transaction price that is allocated to our future performance obligations was approximately $3.3 million in the next three months compared to $3.5 million last year, $8.6 million in the next twelve months compared to $9.5 million last year, and the remaining $1.1 million thereafter compared to $1.6 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 years ended September 30, 2022, revenues recognized related to the amount included in the unearned revenues balance at the beginning of the period was $9.4 million compared to $10.5 million at September 30, 2021.

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 years ended September 30, 2022, amortization expense recognized related to the amount included in the capitalized commissions at the beginning of the period was $382 thousand compared to $462 thousand at September 30, 2021.

9. Related-Party Transactions

The Company incurred fees of $109 thousand and $121 thousand during the years ended September 30, 2022 and 2021, respectively, to a law firm whose partner is a director and stockholder of the Company. The Company had liabilities for services to the same law firm of $25 thousand and $16 thousand at September 30, 2022 and 2021, respectively.

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 37% of the Company's common stock. Mr. Burish also serves as the Chairman of the Board of Directors. Mr. Andy Burish beneficially owns more than 5% of the Company's common stock and warrants to purchase 232,558 shares of common stock at an exercise price of $2.50 per share. See notes 5 Stockholder's Equity for detail. All transactions with Mr. Burish and Mr. Andy Burish 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, 2022 and 2021.

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

	Revenues Years Ended September 30,		Long-Lived Assets September 30,	
	2022	2021	2022	2021
United States	$ 15,309	$ 18,114	$ 3,876	$ 3,555
Europe and Middle East	6,341	6,732	565	1,234
Asia	5,030	9,291	1,044	796
Other	786	1,030	—	—
Total	$ 27,466	$ 35,167	$ 5,485	$ 5,585

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, 2022, 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. 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 hybrid module to allow employees to work 60% in office and 40% from home.

While COVID-19 has had negative impacts on our operations and the future impacts of the pandemic and any corresponding economic results are largely unknown and rapidly evolving. The Company has implemented new products and new approaches to deliver existing products to grow revenue. In response to the cancellations of in-person events, the Company introduced a new virtual events platform as an alternate solution for our customers. The Company is confident the pandemic will accelerate the Company's new product strategy.

13. Subsequent Events

On November14, 2022 Sonic Foundry, Inc. (the "Company") terminated its Revolving Credit Agreement with U.S. Bank National Association.

On November 15, 2022, Frederick H. Kopko, Jr., a member of the Board of Directors ("Board") of Sonic Foundry, Inc. ("the Company") since December 1995, notified the Company of his intention to resign from the Board of Directors effective immediately. Mr. Kopko's decision was not related to any disagreement with the Company on any matter relating to the Company's operations, policies or practices.

On November 16, 2022 the Company entered into a Loan and Security Agreement with Neltjeberg Bay Enterprises, LLC ("NBE") whereby NBE loaned the Company $5,500,000 at a rate of 12% interest per annum due in 30 equal installments beginning on June 1, 2023. The facility also includes a 2% facility fee and a loan premium due at maturity equal to 20% of the amount loaned which is earned monthly based on the number of months the loan remains outstanding. The loan is secured by all assets of the Company and carries certain restrictions and financial covenants including 1) a debt coverage ratio of cash and accounts receivable to the NBE loan of not less than 1.15:1.0; 2) trailing six-month billings requirement of at least $12,000,000 for the September and December 2022 quarters, $11,000,000 for the March and June 2023 quarters and $12,000,000 for the September 2023 quarter and 3) a trailing six-month EBITDA burn requirement of less than $6,000,000 for the quarter ended September 2022, $6,500,000 for the quarter ending December 2022 and $7,000,000 for each of the quarters ending March, June and September 2023. The Managing Director of NBE is Frederick H. Kopko, Jr., a former member of the Company's Board of Directors.

Simultaneously with the closing above, the Company closed a Security Agreement and Promissory Note with Mark Burish ("Burish"), the Company's chair of the Board of Directors for $3,000,000. The note carries the same interest rate and fees as the note with NBE and is subordinate to the NBE Loan and Security Agreement.

On November 16, 2022 The Company entered into a Subscription Agreement with Burish and Warrant whereby Burish purchased $1,200,000 of common stock at a price equal to the average closing bid price on the five days preceding the date of close (1,176,471 shares) and received a Warrant to purchase 511,765 shares of common stock at a price of $1.02. The warrant matures on November 16, 2027.

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, 2022, 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, 2022.

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, 2022, our principal executive officer and principal financial officer, with the participation of our management team, have evaluated the effectiveness of our internal control over financial reporting (as defined in Rules 13a-15 (f) and 15d-15 (f) 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 internal control over financial reporting was effective as of September 30, 2022.

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 2022 and 2023 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 2021 and 2022 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.
3.7	Article of Amendment to the Company Charter of the Registrant, filed as Exhibit 3.1 to the Form 8-K filed on February 25, 2022, 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	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.
10.6	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.
10.7	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.
10.8	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.
10.9	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.
10.10	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.
10.11	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
10.12	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.
10.13	Lease Agreement between Mediasite KK, as tenant, and XYMAX Corporation, as landlord, dated April 7,2021, filed with the March 31, 2022 Form 10-Q and hereby incorporated by reference
10.14	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.
10.15	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.
10.16*	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.
10.17*	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.
10.18	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.

10.19	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.
10.20	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.
10.21	Amendment to Revolving Credit Agreement, dated March 30, 2022, between Registrant and U.S. Bank National Association, filed as Exhibit 10.1 to the Form 8-K filed on April 4, 2022, and hereby incorporated by reference
10.22	Underwriting Agreement, dated as of April 13, 2022, between Sonic Foundry, Inc. and Maxim Group LLC, filed as Exhibit 1.1 to the Form 8-K filed on April 15, 2022, and hereby incorporated by reference
10.23	Lease Agreement between Sonic Foundry International, as tenant, and Prinsen Geerlings, as landlord, dated January 21, 2022, filed with the March 31, 2022 Form 10-Q and hereby incorporated by reference.
10.24	Loan and Security Agreement dated November 16, 2022 between Neltjeberg Bay Enterprises LLC and the Company, filed as Exhibit 10.1 to the Form 8-K filed on November 18, 2022, and hereby incorporated by reference
10.25	Security Agreement dated November 16, 2022 between Mark Burish and the Company, filed as Exhibit 10.2 to the Form 8-K filed on November 18, 2022, and hereby incorporated by reference
10.26	Subscription Agreement dated November 16, 2022 between Mark Burish and the Company, filed as Exhibit 10.3 to the Form 8-K filed on November 18, 2022, and hereby incorporated by reference
10.27	Warrant Agreement dated November 16, 2022 between Mark Burish and the Company, filed as Exhibit 10.4 to the Form 8-K filed on November 18, 2022, 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, 2022 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

Sonic Foundry, Inc.
Annual Report on Form 10-K
For the Year Ended September 30, 2022

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 8, 2022

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 8, 2022
/s/ Ken Minor	Chief Financial Officer	December 8, 2022
/s/ Mark D. Burish	Chair and Director	December 8, 2022
/s/ Brian T. Wiegand	Director	December 8, 2022
/s/ Nelson A. Murphy	Director	December 8, 2022
/s/ Bill St. Lawrence	Director	December 8, 2022

Sonic Foundry, Inc.
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For the Year Ended September 30, 2022

EXHIBIT 21

LIST OF SUBSIDIARIES

Sonic Foundry Media Systems, Inc. – Incorporated in the State of Maryland
Mediasite KK – Incorporated in Japan
Sonic Foundry International B.V. (formerly Media Mission B.V.) – Incorporated in the Netherlands

December 8, 2022

EXHIBIT 23.1
CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements on Form S-3 (333-262816) and Forms S-8 (333-256109, 333-256108, 333-222536, 333-201012, 333-190787, and 333-151601) of our report dated December 8, 2022, relating to the consolidated financial statements of Sonic Foundry, Inc. and Subsidiaries for the year ended September 30, 2022 appearing in this Annual Report on Form 10-K.

/s/ Wipfli, LLP

Minneapolis, Minnesota
December 8, 2022

Sonic Foundry, Inc.
Annual Report on Form 10-K
For the Year Ended September 30, 2022

SECTION 302 CERTIFICATION OF CHIEF EXECUTIVE OFFICER

Exhibit 31.1

CERTIFICATIONS

I, Joe Mozden, Jr, certify that:

1. I have reviewed this Annual Report on Form 10-K of Sonic Foundry, Inc.;

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

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

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

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

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

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

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

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

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

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

Date: December 8, 2022

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

Sonic Foundry, Inc.
Annual Report on Form 10-K
For the Year Ended September 30, 2022

SECTION 302 CERTIFICATION OF CHIEF FINANCIAL OFFICER

Exhibit 31.2

CERTIFICATIONS

I, Ken Minor, certify that:

1. I have reviewed this Annual Report on Form 10-K of Sonic Foundry, Inc.;

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

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

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

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

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

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

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's fourth fiscal quarter that has materially affected, or is reasonably likely to materially affect the registrant's internal control over financial reporting; and

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

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

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

Date: December 8, 2022

By: /s/ Ken Minor
By: Ken Minor
Title: Chief Financial Officer

SECTION 906 CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER

Exhibit 32

Statement

Solely for the purposes of complying with 18 U.S.C.§1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, we, the undersigned Chief Executive Officer and the Chief Financial Officer of Sonic Foundry, Inc. (the "Company"), hereby certify, based on our knowledge, that the Annual Report on Form 10-K of the Company for the year ended September 30, 2022 (the "Report") fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 and that information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: 12/8/2022

By:	/s/ Joe Mozden, Jr.
By:	Joe Mozden, Jr.
Title:	Chief Executive Officer
By:	/s/ Ken Minor
By:	Ken Minor
Title:	Chief Financial Officer

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